A New Phase of Growth with

NEXT 2015

www.nisshinbo.co.jp/english/

NISSHINBO

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NISSHINBO

Annual Report 2013

Fiscal Year Ended March 2013

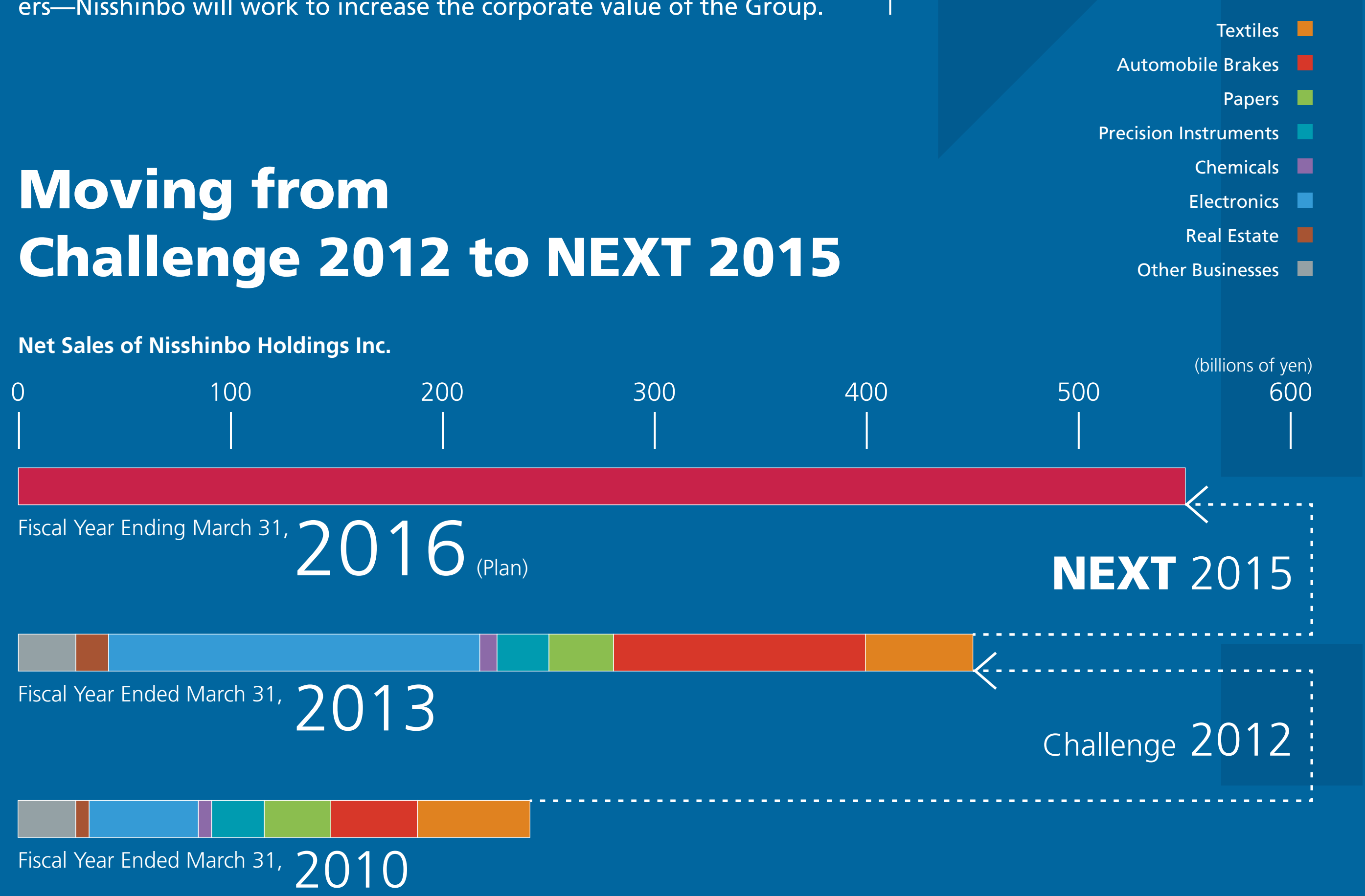
As an environmental and energy company contributing to the sustained development of society, Nisshinbo Holdings Inc. has set long-term targets of net sales in excess of ¥600 billion and return on equity (ROE) of more than 9% by the fiscal year ending March 2018.

In April 2013, the Group announced a new three-year management plan called NEXT 2015, a key milestone on the road to achieving the long-term goals. Under the plan's three basic policies—reinforcing the Group's management, strengthening the business structure, and fostering growth drivers—Nisshinbo will work to increase the corporate value of the Group.

Summary

Moving from Challenge 2012 to NEXT 2015

Net Sales of Nisshinbo Holdings Inc.



Contents

Financial Highlights

For the years ended March 31

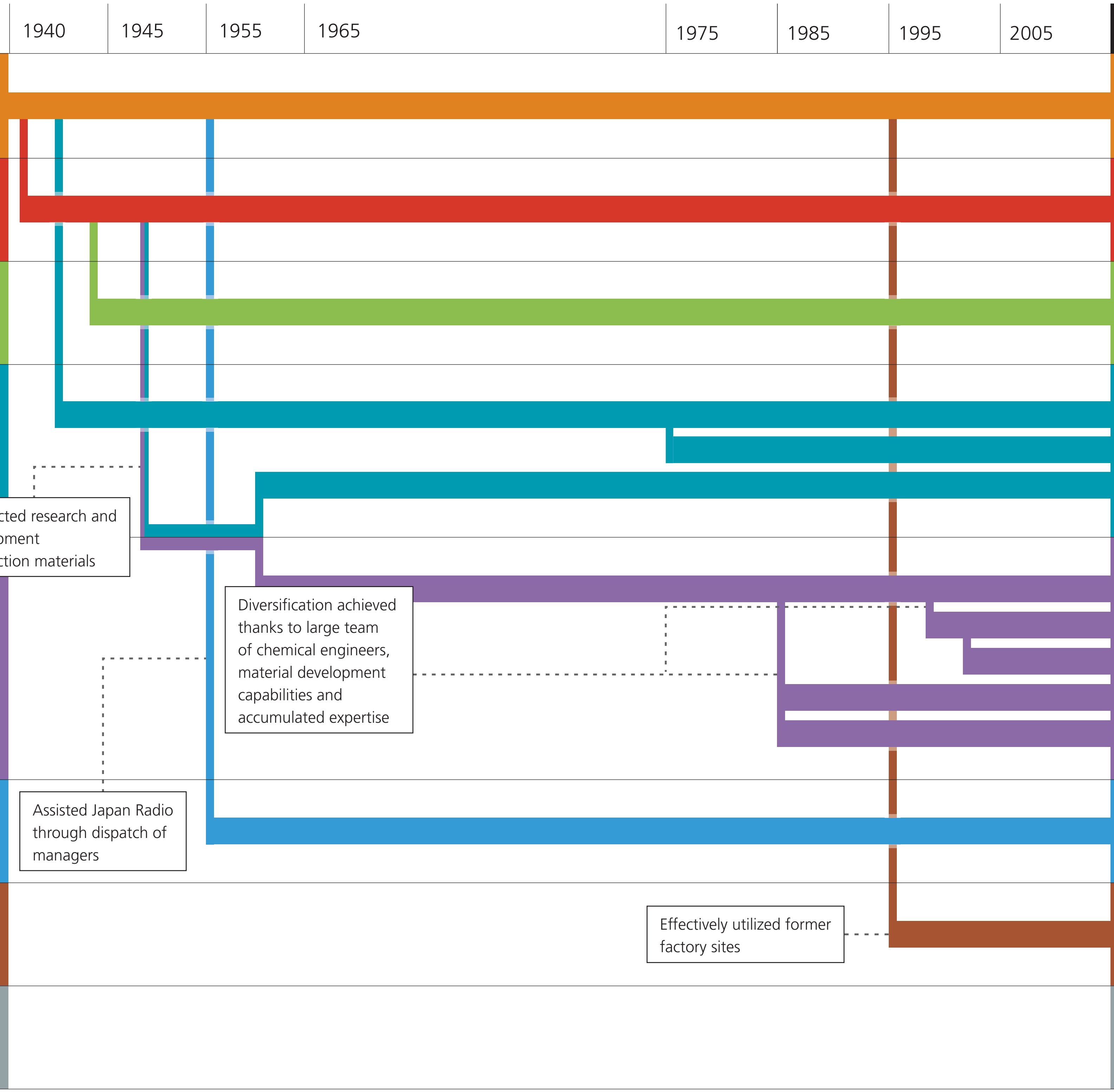
	2009	2010	2011	2012	2013 (millions of yen)	2013 (thousands of US dollars)
Operating Results						
Net Sales	¥286,167	¥242,409	¥325,555	¥379,340	¥450,693	$4,744,137
Textiles	64,392	53,222	57,400	60,964	50,773	534,453
Automobile Brakes	49,230	41,046	46,119	47,450	118,849	1,251,042
Papers	34,214	31,536	30,326	30,220	30,524	321,305
Precision Instruments	35,602	24,908	32,020	25,191	24,520	258,105
Chemicals	8,059	6,309	7,284	8,258	8,150	85,790
Electronics	60,549	51,699	112,820	169,907	175,308	1,845,347
Real Estate	6,011	6,298	12,437	9,082	15,367	161,758
Other Businesses	28,110	27,391	27,149	28,268	27,202	286,337
Operating Income	408	3,570	19,843	4,170	13,394	140,989
Net Income (Loss)	(1,286)	1,896	11,185	9,416	6,418	67,558
Financial Position						
Total Assets	¥366,858	¥358,110	¥479,852	¥534,584	¥551,933	$5,809,821
Net Assets	193,698	193,639	211,557	213,751	242,623	2,553,926
Cash Flows						
Net Cash Provided by Operating Activities	¥11,939	¥27,538	¥16,529	¥12,974	¥34,095	$358,895
Net Cash Provided by (Used in) Investing Activities	(14,393)	(9,949)	11,591	(57,861)	(10,973)	(115,506)
Net Cash Provided by (Used in) Financing Activities	11,940	(30,347)	703	16,835	(24,073)	(253,400)
					(yen)	(dollars)
Per Share						
Net Income (Loss)	¥(7.08)	¥10.38	¥63.32	¥53.83	¥36.74	$0.39
Shareholders' Equity	985.19	1,034.04	1,036.80	1,063.19	1,198.67	12.62
Cash Dividends	15.00	15.00	15.00	15.00	15.00	0.16
					(%)	
Key Ratios						
Return on Assets (ROA)	(0.3)	0.5	2.7	1.9	1.2	
Return on Equity (ROE)	(0.6)	1.0	6.1	5.1	3.2	

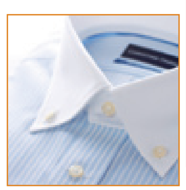
Note: The U.S. dollar amounts in this report are given for convenience only and represent translations of Japanese yen at the rate of ¥95 = US$1.

Business Diversification

Fiscal Year Ended Mar. 2013

Segment	Description	Main products	Segment sales: Share	Segment sales: Amount (billions of yen)
Textiles	Cotton spinning has been Nisshinbo's core business since it was founded in 1907. Since launching APOLLOCOT 100% cotton non-iron shirts in 2009, we have been using the same technology to develop and sell a range of new APOLLOCOT products.	• Dress shirts, denim	11%	50.8
Automobile Brakes	Leveraging our technologies in textile spinning, we diversified into automotive friction materials immediately after World War II. Nisshinbo became the world's leading maker of brake friction materials by market share in 2012. We are currently working on the development of new materials that meet environmental standards for lower copper content.	• Automotive friction materials	26%	118.8
Papers	After World War II we began focusing on household paper products and specialty paper amid a shift in demand to the private sector. We now focus on high value-added products such as highly absorbent toilet tissue for use with bidets and fine paper for high-grade printing applications.	• Household papers • Fine papers	7%	30.5
Precision Instruments	During World War II our facilities were used as military factories to make aircraft parts. After the war, we switched to the manufacture of various machine tools. Today we make fans and other plastic molded parts and precision processed parts for automobiles.	• Customized machine tools • Precision parts processing • Plastic molding	6%	24.5
Chemicals	This business has its roots in our man-made fiber business. We are currently stepping up the development of environmental and energy products, such as rigid urethane foam used in insulation materials, functional chemicals, and fuel cell parts and materials.	• Rigid urethane foam • Functional chemicals • Bipolar plates for fuel cells • Electric double-layer capacitors	2%	8.2
Electronics	Nisshinbo's involvement in this field began in the 1950s when we transferred management personnel to Japan Radio Co., Ltd. after receiving a request for support. Over the years, we gradually strengthened our partnership with the Japan Radio Group to enhance our presence in the information and energy field. The four companies of the Japan Radio Group are now consolidated subsidiaries.	• Wireless disaster warning systems and other solutions, marine radio systems, semiconductor products	39%	175.3
Real Estate	Since the 1990s this business has been working to effectively use the Group's idle land that was freed up due to a shift in manufacturing overseas. The business has focused on leasing real estate for shopping centers, and more recently, on releasing land for residential development.	• Residential building lot sales, property leasing and other real estate businesses	3%	15.4
Other Businesses		• Others	6%	27.2
TOTAL				450.7



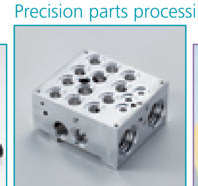

100% cotton non-iron dress shirts

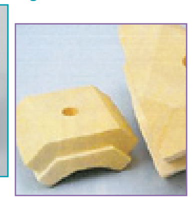

Friction materials, disc pads, brake linings

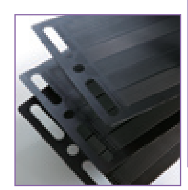

Household papers


Photovoltaic module manufacturing equipment


Plastic moldings


Precision parts processing

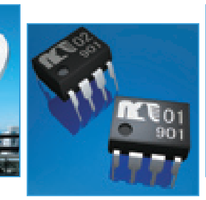

Rigid urethane foam


Bipolar plates for fuel cells


Electric double-layer capacitors


Functional chemicals


Wireless disaster warning systems


Semiconductor products


Marine radio systems


Real estate

Three-year Management Plan NEXT 2015
– Integration for Growth

Nisshinbo Holdings Inc. announced a new three-year management plan in April 2013. As an environmental and energy company contributing to the sustained development of society, the Nisshinbo Group has set long-term targets of achieving net sales in excess of ¥600 billion and return on equity (ROE) in excess of 9% by the fiscal year ending March 2018. Under this new plan, we will work to deliver continued growth.

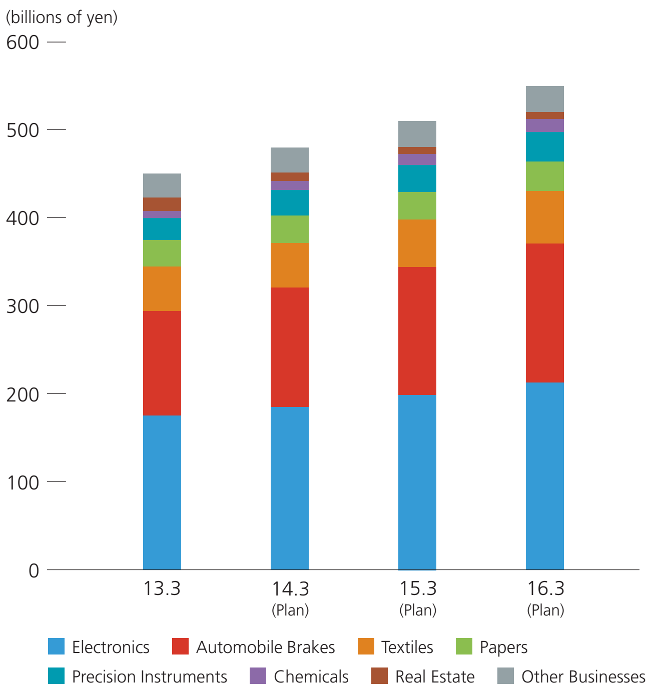
Overview of NEXT 2015

As the "next" stage following the period of "challenge" under the previous management plan, the newly formulated NEXT 2015 plan positions the coming three years as a period to build a global growth strategy based on environmental and energy businesses and to enhance corporate value in order to realize long-term targets.

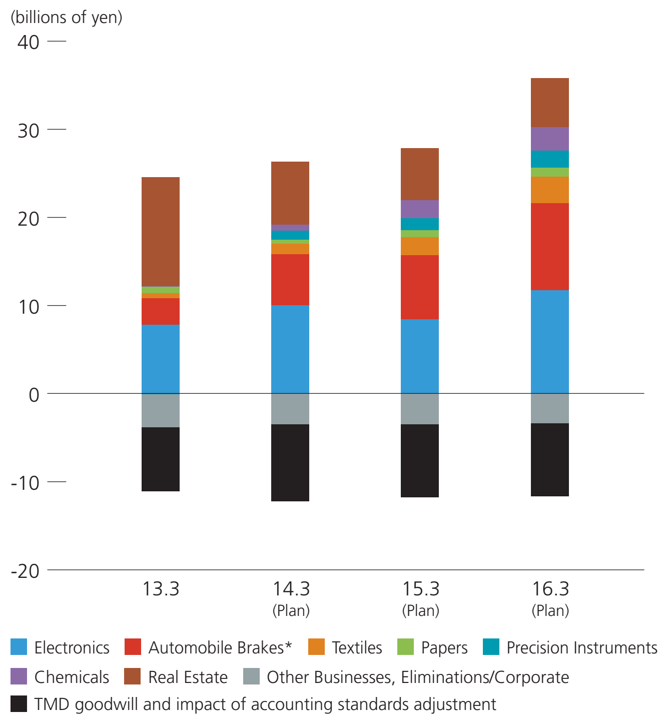
Based on the theme of "integration for growth" (global, environmental, energy) in order to remain competitive in the future, the new plan aims to unify domestic and overseas operations within each business field and create integrated operations beyond the boundaries of each business field. Specifically, we will implement reforms to build a solid management structure to generate sustained earnings and drive further growth; promote proactive management by fostering and expanding new businesses and utilizing M&As; and become an environmental and energy company that can compete globally.

Through these initiatives, we will work to boost earnings in each business to deliver net sales of ¥550 billion and operating income of ¥24 billion in the final year of the plan (the fiscal year ending March 2016). In terms of shareholder returns, we plan to pay a basic annual dividend of ¥15 per share, supplemented by dividend hikes in line with earnings growth.

NEXT 2015 – Net Sales by Segment



NEXT 2015 – Operating Income by Segment



*Excluding TMD goodwill and impact of accounting standards adjustment.

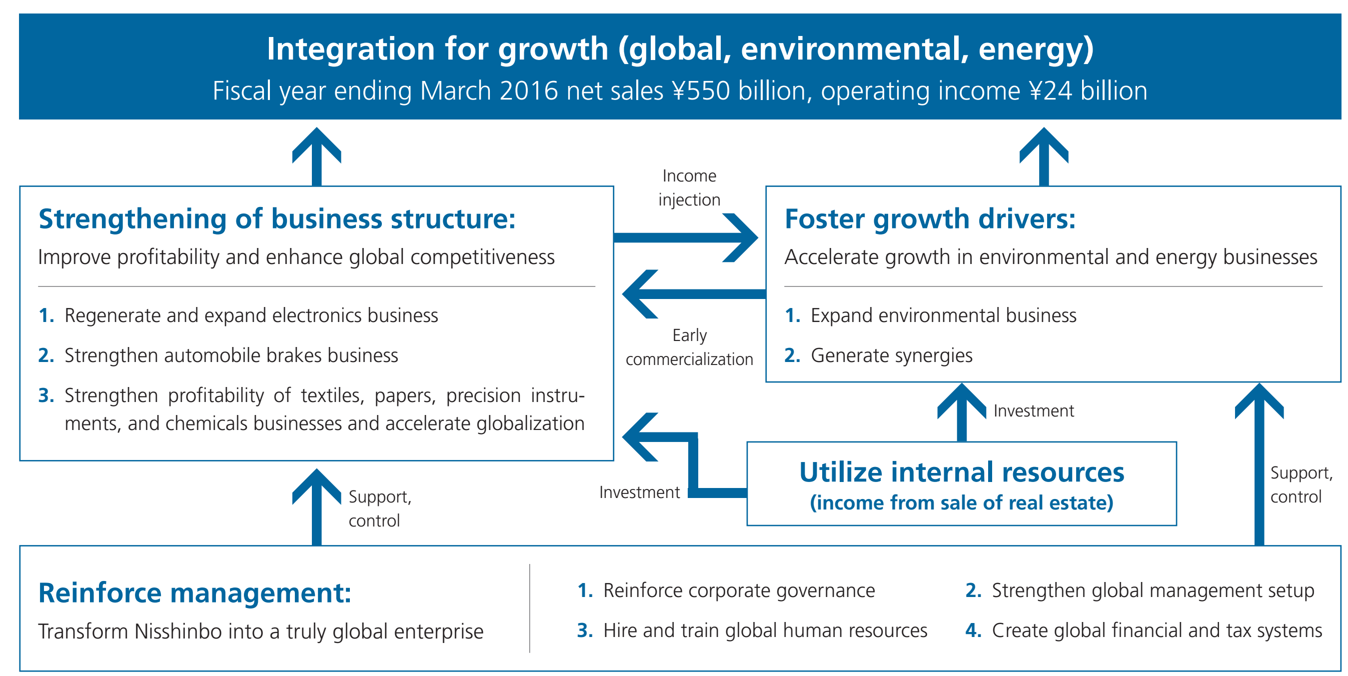
NEXT 2015: Basic Policies and Priority Measures

We have formulated three basic policies and related priority measures to achieve the targets in NEXT 2015.

The first policy is to strengthen the Group's business structure. Specifically, we will improve profitability in each business to enhance the Group's global competitiveness. In the electronics business centered on Japan Radio Co., Ltd., we will implement a growth strategy and reform the global cost structure. In the automobile brakes business, we will drive a recovery in earnings at TMD Friction Group S.A., which was acquired in 2011, and expand production capacity in Asia, where the market is growing strongly. In the textiles, papers, precision instruments and chemicals businesses, we will step up globalization and improve profitability.

The second policy under the plan is to foster growth drivers, accelerating growth in environmental and energy businesses. By actively reinvesting profits from existing businesses, we plan to rapidly launch businesses such as bipolar plates for fuel cells and electric double-layer capacitors. We also aim to generate synergies with other businesses such as smart factories.

The third policy is to reinforce management to support Nisshinbo's transformation into a truly global enterprise. This will include reinforcing corporate governance, hiring and training personnel, and creating global financial and tax systems. Creating a global operating framework will support our operations in each region.



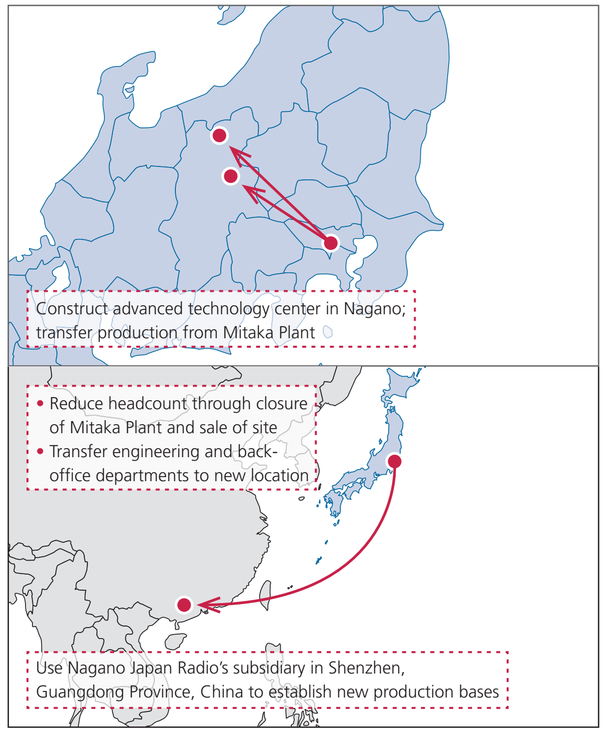
Regenerating and expanding the electronics business

Business restructuring centered on Japan Radio

We will roll out a strategy to generate new growth and implement radical structural reforms centered on Japan Radio Co., Ltd., which is focused on wireless communications technology, and Nagano Japan Radio Co., Ltd. and Ueda Japan Radio Co., Ltd., which all have close business links. By using a shared growth strategy for these companies, we aim to reinforce the Group's operating structure and drive rapid business development.

This growth strategy will shift the focus of production and sales from Japan to emerging countries in Asia and other regions and target business expansion overseas, such as wireless disaster warning systems in Southeast Asian countries. Also, through innovations in information and communication technology and sensor technology, we plan to contribute to the creation of a smart society.

As part of cost structure reforms on a global level, we will close the Mitaka Plant operated by Japan Radio Co., Ltd. and transfer manufacturing activities to Nagano Japan Radio Co., Ltd., Ueda Japan Radio Co., Ltd. and overseas subsidiaries. We also plan to establish a new advanced technology center in Nagano, and using a Nagano Japan Radio subsidiary in Shenzhen in China's Guangdong Province, establish more full-scale production sites overseas. In addition, we will integrate the three companies' procurement systems and upgrade and review overseas parts sourcing and distribution systems, reducing the number of personnel to create an optimum framework. Funds provided by the sale of the Mitaka Plant site will be used for these structural reforms.



Growth strategy for New Japan Radio

At New Japan Radio Co., Ltd., which is focused on the semiconductor business, we will focus on developing new markets. The company has traditionally had a high dependence on home electronics. In addition to products for this market, we will steadily strengthen its lineup of products for handheld devices and wireless equipment and step up development of automotive IC products, demand for which has been growing recently.

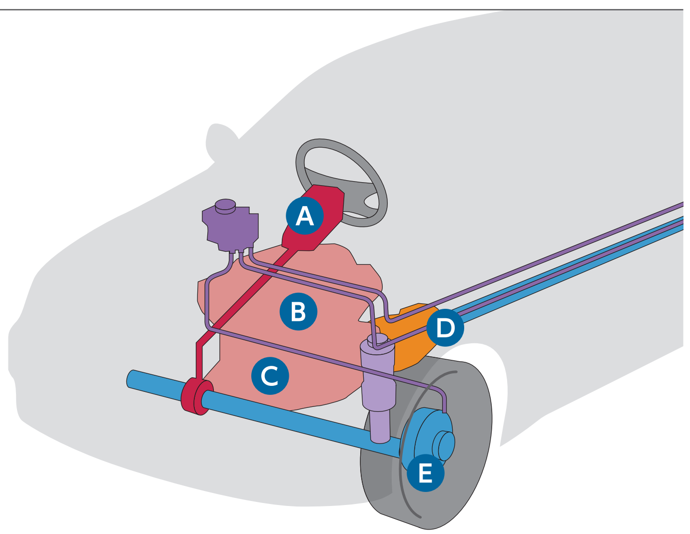
A Steering
(amplification of sensor signals, etc.)

B Ventilation/exhaust
(amplification of sensor signals, etc.)

C Engine
(amplification of sensor signals, etc.)

D Driving
Transmission/axle

E Control
ABS/cruise



Strengthening the automobile brakes business

Global automobile demand is expected to expand, centered on the emerging markets of Asia. By improving development capabilities and investing aggressively, we aim to demonstrate our true capabilities as the world's number-one maker of brake friction materials.

A subsidiary of Nisshinbo Brake Inc. based in Changshu City in China's Jiangsu Province began full-scale operations in April 2013. Nisshinbo Brake has also upgraded its production sites in Thailand in response to rising demand. A new plant in Thailand is due to start operations in January 2014. We expect the plant to contribute to earnings in the final year of the new three-year management plan, when the plant is due to come fully onstream.

We will also take steps to restore earnings at TMD, which has been affected by the downturn in the European economy. By implementing ongoing cost structure reforms, we plan to achieve a rapid recovery in the company's earnings structure.

Expanding Production Sites in Asia

Strengthening the textiles, papers, precision instruments and chemicals businesses and accelerating globalization

We will accelerate the shift in production and sales to Asia. We will also reinforce earnings structures through M&As and business partnerships.

Textiles: Reinforce the global business framework centered on Indonesia and China and expand sales of the APOLLO-COT brand.

Papers: Accelerate the shift to high value-added products and promote business partnerships in the processed paper product business on a global level.

Precision instruments: Restore profitability in the solar power business by implementing restructuring, and accelerate the creation of a global production and sales framework in the plastic molding and processing business to tap global demand.

Chemicals: In the functional chemicals business, increase production capacity and build a sales framework for bio-plastic modifiers in response to expanding demand.

Stepping up growth in environmental and energy businesses

Continuing on from our previous three-year management plan, we aim to generate further growth as an environmental and energy company through new businesses in the environmental and energy fields.

In particular, we will leverage our position as the market leader in bipolar plates for fuel cells for the domestic household market to develop our presence in fixed fuel cell and automotive fuel cell applications. In electric double-layer capacitors, we will shift our focus from industrial equipment and construction machinery to automotive applications and expand the business.

We will also promote cooperation across Group companies to create new products and services, such as radars and sensors in automotive products and electronic components that utilize proprietary materials such as Carbodilite, in order to drive growth. In October 2012, we opened a smart factory test facility that brings together our electronics, chemical and mechatronics technologies.

Taking the Nisshinbo Group into a new phase of growth

My name is Masaya Kawata, appointed as the new President of Nisshinbo Holdings Inc. in June 2013. Building on the work of my predecessor Shizuka Uzawa, now Chairman, I will lead the Nisshinbo Group toward our long-term goals of net sales of more than ¥600 billion and ROE of over 9%. I will also focus on further enhancing the Group's global presence by developing our environmental and energy businesses.

Financial Results for the Fiscal Year Ended March 2013

Our Group faced a challenging operating environment, but the electronics business saw a marked improvement in earnings.

In the fiscal year ended March 2013, net sales increased 18.8% year on year to ¥450.6 billion and operating income surged 221.1% to ¥13.3 billion. However, net income fell 31.8% to ¥6.4 billion.

The large rise in sales was mainly due to a full year of sales from TMD Friction Group S.A., which we acquired in November 2011.

Operating income roughly tripled year on year. This reflected a number of factors, including a return to profit at New Japan Radio Co., Ltd. due to business restructuring that reversed substantial losses in the previous fiscal year. Japan Radio Co., Ltd. also returned to profit after incurring large losses last year. This improvement came on the back of a strong performance by the solutions business, particularly in wireless disaster warning systems. These factors, along with large-scale property releases in the real estate business as part of the redevelopment of the former plant site in Nagoya, helped the Group to offset the deterioration in earnings at TMD and absorb the increase in costs related to the acquisition of TMD. Goodwill related to the TMD acquisition is being amortized over a five-year period. We adopted this short period in line with our normal conservative approach to goodwill amortization.

Despite the improvement in operating income, net income declined year on year. This reflected the booking of extraordinary losses related to the early redemption of corporate bonds issued by a subsidiary of TMD. These losses comprised a one-time write-off of issuance expenses and a premium paid to bondholders. Other factors behind the decline in net income included an increase in corporate taxes and the impact of changes in minority interests in earnings at subsidiaries due to a return to profit at Japan Radio and New Japan Radio.

Moving from Challenge 2012 to NEXT 2015

Based on the theme of "integration for growth," NEXT 2015 is designed to transform Nisshinbo into a truly global company.

We announced a new three-year management plan called NEXT 2015 in April 2013. Building on the progress made with our previous plan, Challenge 2012, we will reinforce the Group's operating structure and develop new growth drivers to achieve the plan's long-term targets of net sales in excess of ¥600 billion and return on equity (ROE) of more than 9% by the fiscal year ending March 2018, ultimately aiming to enhance Nisshinbo's corporate value.

Over the last three years under Challenge 2012, we added Japan Radio and Nagano Japan Radio Co., Ltd. to the Group in 2010 and acquired TMD in 2011, driving strong growth in net sales.

We also made progress with improving the Group's earnings structure by creating overseas manufacturing frameworks for the textile and precision instruments business. This has given us an initial foothold to begin our transformation into a global business.

During the three years of Challenge 2012, the real estate business booked sales of ¥36 billion and operating income of over ¥29 billion, providing the financial support for the Group's growth.

However, we were unable to achieve the plan's operating income target, partly due to the extremely challenging conditions over the last three years. During the period covered by the plan, economic conditions were affected by natural disasters such as the Great East Japan Earthquake and the flooding in Thailand, as well as by the very strong yen and the euro crisis. There were also political tensions between Japan and the governments of China and South Korea. One of the key challenges we still face is that Japan Radio and TMD, which both became part of the Nisshinbo Group through major acquisitions, are still not fully realizing their earnings potential.

We plan to overcome these issues and transform Nisshinbo into a truly global company by focusing on the theme of "integration for growth" during NEXT 2015. We aim to achieve integration in two ways: by unifying domestic and overseas management structures in each business and by strengthening cooperation across different business fields. By promoting this more integrated approach, we aim to be consistently profitable and build a solid management structure, while also developing and expanding our environmental and energy businesses to drive the Group's future growth.

NEXT 2015

Theme:
"Integration for Growth"

- Unification of domestic and overseas management for each business
- Integration transcending business fields

- Reforms to ensure sustained income and sturdy management structure
- Fostering and expansion of environmental and energy businesses

	Result FY ended March 2013	"NEXT 2015" targets FY ending March 2016
Net sales	¥450.6 billion	¥550.0 billion
Operating income	¥13.3 billion	¥24.0 billion

Restructuring the Electronics Business

Building an earnings structure more resilient to changes in the operating environment.

Revitalizing and expanding the electronics business is key to the success of NEXT 2015. Three of the four main subsidiaries in the electronics business—Japan Radio, Nagano Japan Radio and Ueda Japan Radio Co., Ltd.—have similar businesses focused on wireless-related products. We therefore plan to implement structural reforms that bring the companies closer together by integrating procurement and improving the efficiency of distribution systems, centered on the largest company, Japan Radio.

Japan Radio reported a large operating loss in the previous fiscal year, but moved back into the black in the fiscal year under review amid an upturn in the operating environment. However, as part of efforts to create an earnings structure that is more resilient to fluctuations in the operating environment, we have decided to end production activities at Japan Radio's plant in Mitaka, Tokyo. Production will be transferred to plants operated by Nagano Japan Radio and Ueda Japan Radio in Japan and to a newly expanded plant operated by a subsidiary of Nagano Japan Radio in Shenzhen, China. Funds provided by the sale of the Mitaka Plant site will be used for structural reforms. As a result of these structural reforms, we plan to book extraordinary losses in the fiscal year ending March 31, 2014, including losses for one-time retirement benefits related to a reduction in the workforce.

The electronics business is the largest business segment in the Nisshinbo Group and will therefore play a key role in technology and business integration between segments.

We think Japan Radio has the potential to leverage its wireless communications technologies in growing markets in Asia, but we also see significant scope for the company to contribute to the creation of smart societies by combining these technologies with those in Group businesses outside the electronics business segment.

Making Nisshinbo More Global

We are hiring global business people and creating a more robust support structure in areas such as financing and tax.

Enhancing the Group's global presence is a key theme of NEXT 2015. Under our previous three-year management plan, we substantially increased our overseas manufacturing capacity in the textiles, automobile brakes, precision instruments and electronics businesses. This has given us an even stronger base from which to expand our global operations. Excluding some businesses such as automobile brakes, the Group is yet to begin sales of its products overseas on a full-scale basis. Nisshinbo will now work to expand sales of the APOLLOCOT range and other high-quality products worldwide, with a particular focus on emerging markets in Asia.

To drive this expansion, we will need to strengthen management of Group companies and provide them with greater support. Under NEXT 2015, we are aiming to hire and develop global business people and create a more robust support structure in areas such as financing and tax in order to step up business expansion in overseas markets where we see significant potential.

In our automobile brakes business, which is already the largest in the world due to the acquisition of TMD, we will work rapidly to drive a recovery in earnings at TMD. We aim to consistently generate profits by leveraging our new sales network, tapping rising demand for automobiles in China, and pushing ahead with cost reduction. We are also steadily increasing production capacity in China and Thailand in response to global growth in automobile output.

Shifting Our Focus to the Environment and Energy

Our environmental and energy businesses will be the Group's key businesses in the future.

As explained earlier, we are targeting further growth in our existing businesses by reinforcing earnings capabilities and extending our operational reach worldwide. At the same time, we plan to develop our environmental and energy businesses into future growth drivers, underpinned by our goal of transforming Nisshinbo into an environmental and energy company that contributes to society.

In the fiscal year ended March 31, 2013, demand for bio-plastic modifier Carbodilite grew strongly, so we are adding further production capacity. In the solar power generation business, which is faced with panel oversupply problems, we have launched new panel material and installation businesses to complement our existing operations in photovoltaic module manufacturing equipment. The installation business is currently constructing a new 1.75MW solar power facility at our Tokushima business site, due for completion in August 2013.

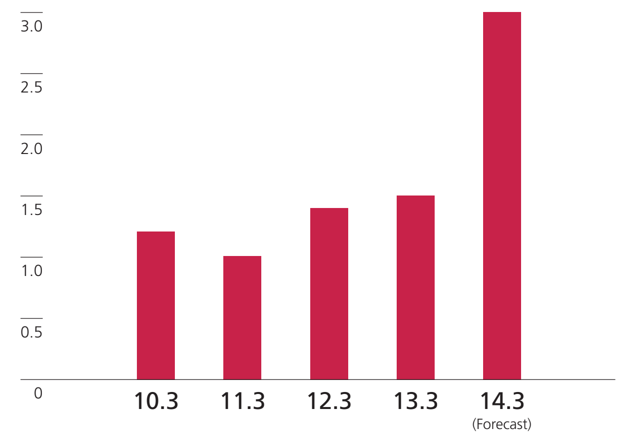
In electric double-layer capacitors, which help to improve automobile fuel efficiency, our products have been adopted by a major automaker for use in a hybrid racing car, underlining the significant potential of our products. Also, the outlook seems bright for our carbon bipolar plates, a key component in fuel cell vehicles, which are gradually moving closer to commercialization.

Meanwhile, we completed testing of strawberry cultivation using artificial light at our Tokushima business site. The test facility, which has the capacity to cultivate 10,000 strawberry plants, proved that highly profitable cultivation of high-quality strawberries is possible. Based on this outcome, we have significantly boosted capacity to 170,000 plants by expanding the Tokushima facility and constructing another facility at our business site in Shizuoka.

These environmental and energy businesses, including our smart factory test facility opened to the public in 2012, will play a key role going forward, helping to enhance the Group's corporate value.

Sales of CARBODILITE

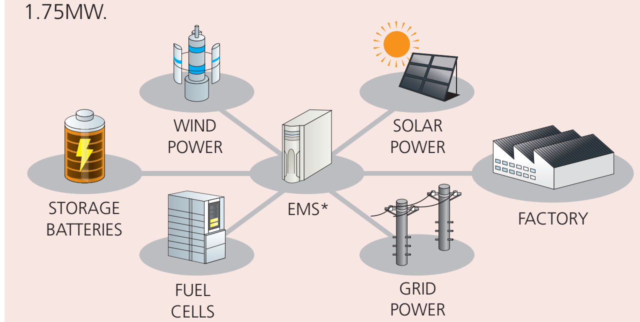
(billions of yen)



Smart Factory Initiatives

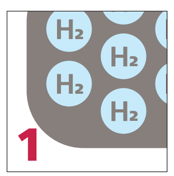
We have set up a smart factory test facility at our Tokushima business site. The facility includes a power generation system based on solar panels, wind turbines and fuel cells, a power storage system incorporating electric double-layer capacitors, and a high-voltage direct current power supply system that eliminates power losses that occur when electricity is converted between direct current and alternating current. All these elements are monitored and controlled by an energy management system.

We have also started work on a mega solar power plant at the Tokushima business site. The power plant, due for completion in August 2013, will have 7,840 panels and a generating capacity of 1.75MW.



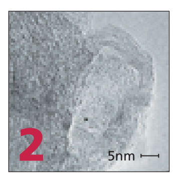
*Energy Management System

The Nisshinbo Group's Initiatives to Support Fuel Cell Use



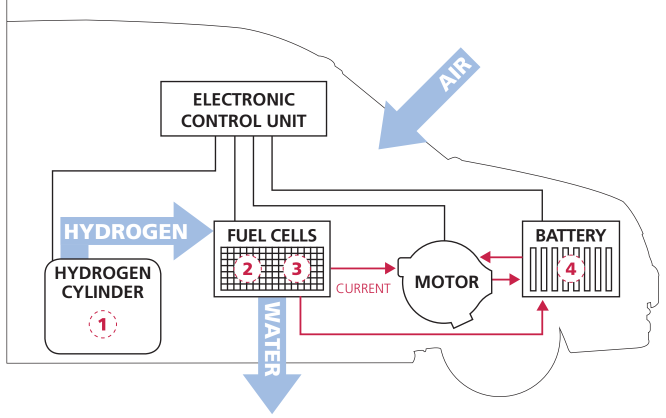
Hydrogen-Storing Carbon

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



Carbon Alloy Catalysts

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



Carbon Bipolar Plates

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

Electric Double-Layer Capacitors

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

Working Together with Our Shareholders

Success with NEXT 2015 will lead to a higher level of stable profits

I believe our long-term goals for the fiscal year ending March 31, 2018 will start to look increasingly achievable as we implement the management strategies laid out in NEXT 2015. Meanwhile, the Group's financial leverage is now slightly high following the two major acquisitions of Japan Radio and TMD. We therefore aim to ensure operations are stable from a financial perspective as well, including efforts to reinforce shareholders' equity.

Our policy is to pay a stable annual dividend of ¥15 per share, while also working to increase returns for shareholders through future dividend hikes in line with efforts to achieve a higher level of stable profits and boost earnings.

I hope we can count on your continued support in the year ahead.

June 2013

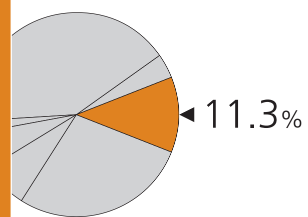
Masaya Kawata

Masaya Kawata
President

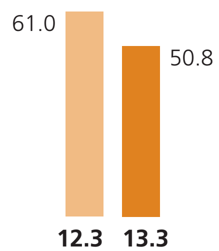
The Nisshinbo Group comprises seven businesses: textiles, automobile brakes, papers, precision instruments, chemicals, electronics and real estate. Leveraging the manufacturing technologies and assets of our original cotton spinning business, we have diversified into other business fields, where we supply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

Textiles

Segment Share



Net Sales
(billions of yen)

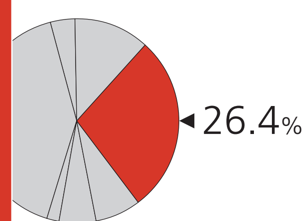


Mainstay business is products made from natural cotton; supplies high-quality "Made by Nisshinbo" dress shirts, denim, uniforms and other products to markets worldwide

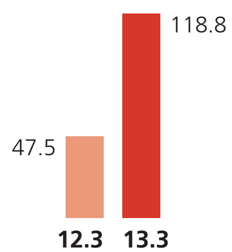
- **Shirts:**
  Dress shirts, casual shirts and fabric
- **Textiles:**
  Uniform fabric and casual fabric
- **Denim:**
  Jeans and denim fabric
- **Others**

Automobile Brakes

Segment Share



Net Sales
(billions of yen)

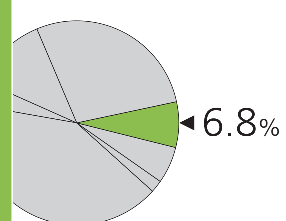


The Nisshinbo Group is the world's leading maker of brake friction materials by market share; acquired TMD Friction Group S.A., Europe's largest manufacturer of brake friction materials, in 2011; now expanding presence as a true global supplier, with manufacturing bases in North America, South Korea, Thailand, China, Europe, South America, and South Africa.

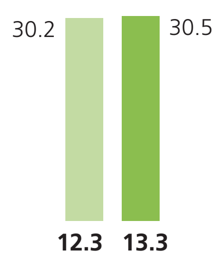
- **Friction materials:**
  Disc pads and brake linings
- **Assembly products:**
  Drum brake products

Papers

Segment Share



Net Sales
(billions of yen)

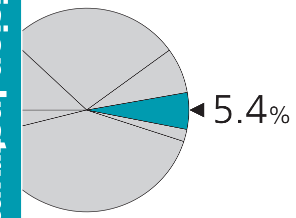


Makes high value-added products for everyday use such as toilet tissue and other household paper products, specialty paper used in pamphlets and other materials and processed paper products such as telegram paper

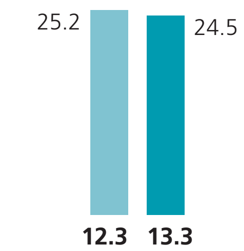
- **Household paper products:**
  Toilet tissue, facial tissue (made with virgin and recycled pulp) and kitchen-related products
- **Specialty paper:**
  Fine paper and synthetic paper
- **Processed paper products:**
  Telegram paper, high-end packaging and other products

Precision Instruments

Segment Share



Net Sales
(billions of yen)

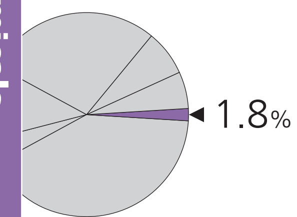


Leverages advanced mechatronics technologies in a wide range of business fields, such as customized machine tools, air conditioner fans and processed precision automotive parts

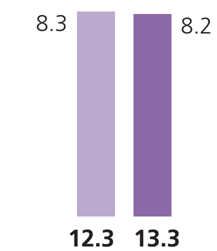
- **Customized machine tools, LED mounting equipment and photovoltaic generation system businesses**
- **Precision parts processing**
- **Plastic molding and processing**

Chemicals

Segment Share



Net Sales
(billions of yen)

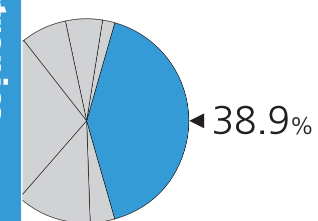


Manufactures a range of highly promising products in the environmental and energy fields, such as Carbodilite, an additive used in bio-plastic manufacturing, and bipolar plates for fuel cells

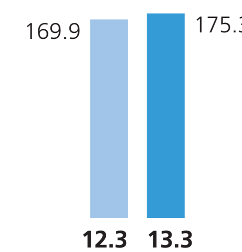
- **Carbodilite high-performance chemical additive**
- **Bipolar plates for fuel cells**
- **Electric double-layer capacitors**
- **Rigid urethane foam**
- **Mobilon urethane elastomer**
- **Carbon products**

Electronics

Segment Share



Net Sales
(billions of yen)

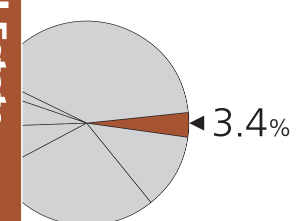


Using the consolidation of Japan Radio, a pioneer in wireless communication devices, to develop and strengthen the Group's energy businesses by drawing on the company's advanced control technologies

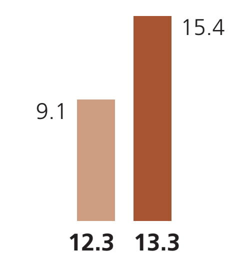
- **Solutions business including wireless disaster warning systems**
- **Semiconductor products**
- **Information and communications devices and equipment**
- **Power supply units and electronic components**
- **Microwave products**

Real Estate

Segment Share



Net Sales
(billions of yen)



Contributing to the growth and financial strength of the Nisshinbo Group by effectively utilizing idle plant sites and other real estate assets arising from business restructuring

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

Textiles

Nisshinbo Textile Inc.

Since its founding in 1907, Nisshinbo has led the Japanese textile industry with its state-of-the-art technologies and high quality. Nisshinbo expanded its business into the spinning, weaving, processing and sewing fields and possesses some of the world's most advanced technologies in areas ranging from development to production. It is currently upgrading its overseas sites in Indonesia, China, India and elsewhere and working to expand sales of the APOLLOCOT brand worldwide.

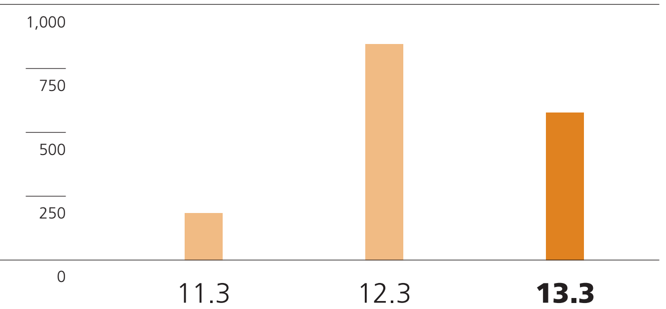
Segment Income Breakdown

(millions of yen)

	11.3	12.3	13.3
Domestic	(800)	847	287
Overseas	822	76	126
Eliminations	161	(83)	161
Total	184	840	575

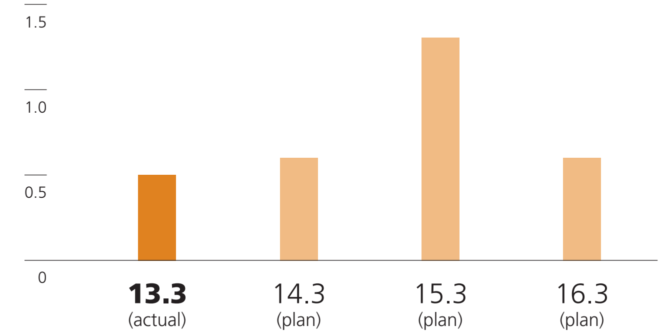
Segment Income

(millions of yen)



Capital Investment Plan

(billions of yen)



Summary of Financial Results for the Fiscal Year Ended March 2013

In the fiscal year ended March 2013, the textiles business reported net sales of ¥50,773 million, down 16.7% year on year, and operating income of ¥575 million, a decline of 31.6%. In the fiscal year under review, the business upgraded its overseas sites to strengthen global operations and worked to develop new products and expand sales, centered on the APOLLOCOT brand. However, in the domestic market, demand softened overall compared with the previous fiscal year, when demand was firm. Overseas, there were signs of an upturn at the Group's Indonesian subsidiaries, despite the ongoing impact of high raw material prices. Also, operations in Brazil, which struggled in the previous fiscal year, saw a recovery in earnings and returned to profit. Sales at our operations in China declined due to a slowdown in domestic sales and in export sales to Europe.

At overseas production sites, our shirt fabric processing plant in China started full-scale production, while our sewing subsidiary in Indonesia began producing uniforms at a newly constructed plant. This followed the installation of an additional production line at the subsidiary's shirt manufacturing plant in the previous fiscal year. Our denim fabric production subsidiary in Indonesia is also expanding output.

In research and development, we pushed ahead with the development of several new products outside our APOLLOCOT range. These new products include highly stretchable non-woven fabric and knitwear fabric, and faded denim fabric that features seven colors in the faded areas.

NEXT 2015 Business Strategies

In the textiles business, we shifted production overseas and worked to rebuild operations on a global basis under the previous three-year management plan, Challenge 2012. These initiatives helped the business return to the black in the fiscal year ended March 2011, and operations have been consistently profitable since then. We also created a steady stream of new products based on our APOLLOCOT fabric, made with Nisshinbo's unique processing technology. Customers can now buy handkerchiefs, business pants and business knitted shirts, in addition to business shirts. We also continued to actively develop new types of denim, non-woven fabric and MOBILON materials.

Under the new three-year management plan NEXT 2015, we are aiming to reinforce our global operating framework in order to generate net sales of ¥60 billion and operating income of ¥3 billion in the fiscal year ending March 2016. Specifically, we plan to increase output at our two main subsidiaries and our denim fabric production company in Indonesia and at our shirt fabric processing plant in China. We will also work to expand sales overseas, mainly targeting the U.S. and Europe.

In addition, we will focus on increasing sales of the APOLLOCOT brand. Here we plan to further enhance the functionality of business shirts and boost sales of handkerchiefs for women. We will also expand the choice of business pants and extend the APOLLOCOT range into jackets, white medical wear and other areas.

APOLLOCOT
100% cotton non-iron shirt

Automobile Brakes

Nisshinbo Brake Inc./ TMD Friction Group S.A.

Nisshinbo is a global supplier with world-class development capabilities in the field of friction materials, which are key components of automobile brake systems. In November 2011, Nisshinbo became the world's largest manufacturer of brake friction materials with the acquisition of Luxembourg-based TMD Friction Group S.A. As the global leader in the friction materials industry, we are working to address global automakers' needs for optimum parts procurement.

Segment Income Breakdown

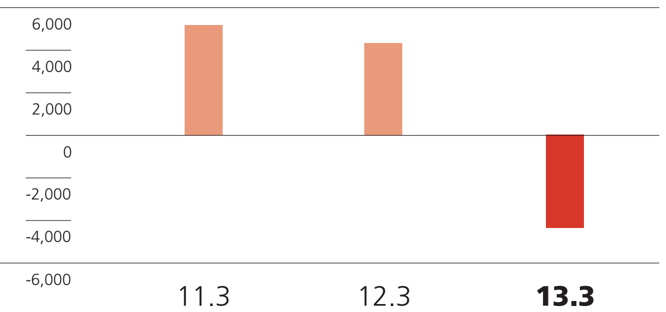
(millions of yen)

	11.3	12.3	13.3
NISB* —Domestic	2,751	2,615	1,732
NISB —Overseas	2,279	1,788	2,158
TMD	—	—	(941)
TMD acquisition costs	—	—	(7,284)
Eliminations	61	(149)	34
Total	5,090	4,254	(4,302)

* Nisshinbo Brake Inc.

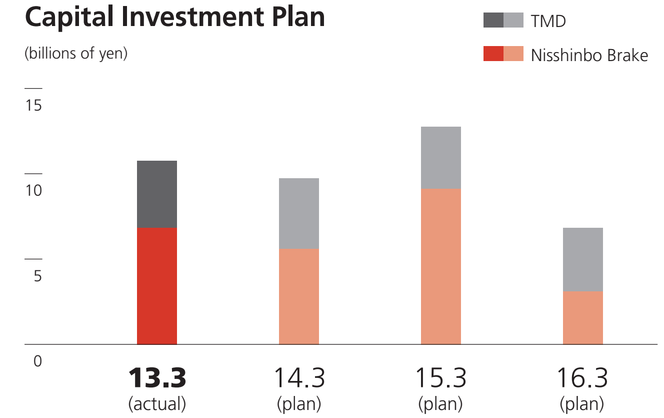
Segment Income

(millions of yen)



Capital Investment Plan

(billions of yen)



Summary of Financial Results for the Fiscal Year Ended March 2013

In the fiscal year ended March 2013, the automobile brakes business reported net sales of ¥118,849 million, up 150.5% year on year, and an operating loss of ¥4,302 million. Operating profitability deteriorated by ¥8,556 million compared with the previous fiscal year, as a result of goodwill amortization of ¥5,078 million related to the acquisition of TMD and adjustments of ¥2,205 million due to the alignment of accounting standards.

In the domestic market, orders grew in the first half of the fiscal year due to rebuilding demand in the aftermath of the Great East Japan Earthquake and the government's eco-car subsidy scheme. However, sales and profits declined over the full year due to a weaker performance in the second half, reflecting the end of the subsidy scheme in September 2012 and a sharp drop in sales volume for Japanese vehicles in China. In the overseas market, orders were firm in Asia and North America, and in addition, consolidation of TMD resulted in substantial growth in sales. However, profitability deteriorated sharply, reflecting weaker-than-expected profits at TMD amid a slump in the European automotive market, as well as the occurrence of goodwill related to the acquisition of TMD and a negative impact from adjustments of TMD's accounts to bring them in line with Japanese standards used by Nisshinbo. Despite this backdrop, we steadily increased production capacity at overseas sites. In May 2012, we completed the construction of a new plant at Nisshinbo Saeron (Changshu) Automotive Co., Ltd. in China, with mass production getting under way from January 2013. Also, in November 2012, we started the construction of a second production site at Nisshinbo Somboon Automotive Co, Ltd., a subsidiary in Thailand.

NEXT 2015 Business Strategies

Under our previous three-year management plan, Challenge 2012, we worked to upgrade all our manufacturing sites in Japan and overseas in order to build the optimum global supply framework in the automobile brakes business. We also focused on developing products that comply with new regulations on copper content in friction materials*. We created a specialist group to research and develop new materials that meet the copper regulations, and global R&D meetings are held to share information with product development centers throughout the world. In terms of cooperation between TMD and Nisshinbo Brake Inc., we have established working groups in development, marketing, procurement and other areas and began implementing joint projects from June 2012. There are currently 21 joint projects under way.

Our first goal under the new three-year management plan, NEXT 2015, is to drive a recovery in earnings at TMD. Specifically, we will ensure profits are managed along business divisions following the introduction of the business unit system in January 2013, and we will rebuild TMD's operating system in order to establish a sustainable earnings structure. Our second goal is to strengthen our Asian business. At our new plant in China, we plan to begin mass shipments for each project from May 2013 onwards in order to rapidly establish a business base in the market. Moreover, construction of our new plant in Thailand is on schedule, and when completed, it will allow us to meet demand of the Asian market, which continues to expand.

We expect steady sales of cars in Japan and overseas in the fiscal year ending March 2014. We will target further growth in sales by addressing our customers' needs and by building the optimum global supply framework.

* The U.S. state of California has passed a law, effective from 2021, prohibiting the sale of new friction materials or vehicles fitted with friction materials that have a copper content of more than 5%. From 2023 or 2025, the limit on copper content will be reduced to no more than 0.5%.


Disc pad

Papers

Nisshinbo Paper Products Inc.

This business supplies high value-added paper products tailored to market needs in various fields, from facial tissue and toilet tissue in the household paper products field, to fine paper and synthetic paper products in the commercial printing and business communication paper field and telegram paper, luxury packaging and other products in the processed paper products field.

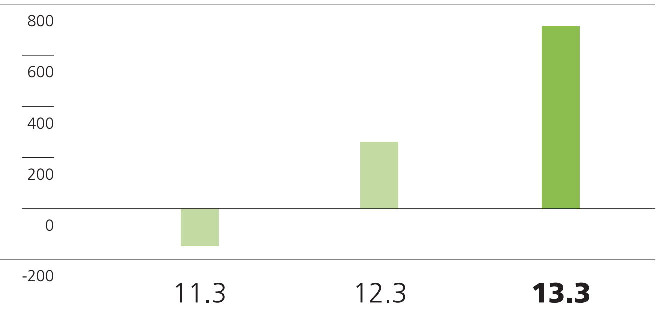
Segment Income Breakdown

(millions of yen)

	11.3	12.3	13.3
Household	(661)	(246)	**92**
Fine Papers	618	615	**618**
Eliminations	(103)	(108)	**(1)**
Total	(146)	260	**709**

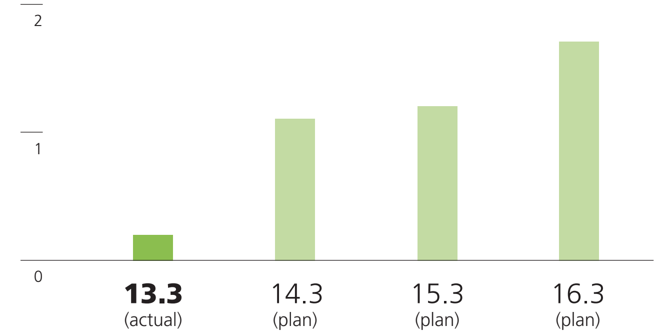
Segment Income

(millions of yen)



Capital Investment Plan

(billions of yen)



Summary of Financial Results for the Fiscal Year Ended March 2013

In the fiscal year ended March 2013, the paper products business reported net sales of ¥30,524 million, up 1.0% year on year, and operating income of ¥709 million, an increase of 171.8%.

In household paper products, sales prices were weak due to the impact of deflation and a gap between supply and demand. However, profitability improved, supported by an increase in sales due to targeted efforts to boost sales of mainstay high value-added toilet tissue products and a decline in prices for raw materials such as pulp and waste paper.

In specialty paper, demand was soft due to the slowdown in the economy and the shift to digital media. Despite this backdrop, sales increased on the back of new fine paper packaging products and strong sales of synthetic paper products for inkjet printing. This sales growth, along with increased sales of high-margin products and lower prices for pulp, supported a rise in profits.

In processed paper products, we expanded our business with leading packaging users amid rising demand for luxury packaging products, supporting firm sales. However, sales and profits in processed paper products declined year on year due to the sale of the Hasler postage meter business by Nisshinbo Postal Chemical Co., Ltd. and further contraction in demand for telegrams and other products.

NEXT 2015 Business Strategies

Under the previous three-year management plan Challenge 2012, we worked to strengthen sales and production systems in each business to align them with customer needs. We also sought to build a more distinctive position in the market through new product development, design and planning capabilities, and stepped up cooperation with other companies. Also, we enhanced our partnerships with overseas companies through OEM deals and made progress with shifting to production and sales in optimal locations worldwide.

Under our new three-year management plan NEXT 2015, we intend to build on this progress by stepping up our shift to high value-added products and by creating a global paper products business built on partnerships.

In the fiscal year ending March 2014, we expect the operating environment to remain challenging due to increases in fuel and raw material prices caused by the weak yen, and falling demand for paper products, particularly in the commercial printing field. Against this backdrop, we will implement priority measures in each product segment in order to achieve our targets for the business.

In household paper products, we will reinforce our supply framework in Japan and overseas as part of our efforts to become a household paper product trading business with a manufacturing base. We will also strive to secure fair prices for our products and work to boost sales of high-margin products such as toilet tissue for use with bidets. In addition, we will work to create a stable earnings structure through initiatives such as improving profitability at consolidated subsidiary Tokai Seishi Kogyo Co., Ltd.

In specialty paper, we are aiming to create a highly competitive and profitable operating structure rather than focusing on business expansion. Specifically, we plan to develop new applications for fine paper and synthetic paper products, launch new products designed to energize the market, and reinforce cooperation with partner companies in order to stimulate demand and enhance the earnings structure.

In processed paper products, we are aiming to build a position as a global supplier of luxury packaging products by developing the business worldwide. We intend to leverage Group synergies to expand operations in order to secure more business from leading overseas packaging users. In preparation for business expansion, we will also upgrade our product and sales sites and reinforce quality control and other systems.

Bath tissue designed specifically for bidets with twice the absorbency

Precision Instruments

Nisshinbo Mechatronics Inc.

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

Segment Income Breakdown

(millions of yen)

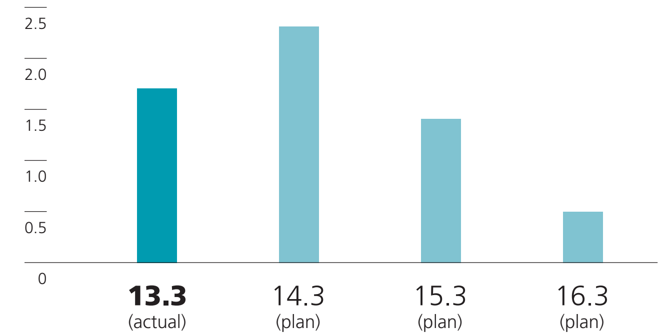
	11.3	12.3	13.3
Mechatronics	741	(1,653)	(805)
Plastic molding	672	584	658
Total	1,414	(1,070)	(146)

Segment Income

(millions of yen)

Capital Investment Plan

(billions of yen)



Summary of Financial Results for the Fiscal Year Ended March 2013

In the fiscal year ended March 2013, the precision instruments business reported net sales of ¥24,520 million, down 2.7% year on year, and an operating loss of ¥146 million, which was a substantial improvement from the operating loss of ¥1,070 million incurred in the previous fiscal year.

Sales of manufacturing equipment for photovoltaic modules fell sharply year on year, reflecting delays and cancellations to planned capital investment at solar panel makers amid the worldwide slump in the solar panel market. The photovoltaic module manufacturing equipment business incurred a large loss in the previous fiscal year, but this narrowed significantly during the year under review due to cost reductions and ongoing business restructuring. A number of factors contributed to sales growth in the business, such as higher sales of other customized equipment, the launch of new electronic component mounting equipment, and the start of a new photovoltaic generation system installation business in October 2012.

In precision parts processing, sales increased year on year, although profits declined due to an increase in depreciation costs related to higher capital investment.

In plastic molding and processing, demand for fan components used in household appliances and automotive applications increased in ASEAN countries, but sales were flat year on year due to deteriorating market conditions in China and the transfer of production out of Japan by domestic customers. However, profits increased owing to a decline in materials costs and improvements in productivity.

In production activities, a new plastic molding parts plant in India began volume production in July 2012.

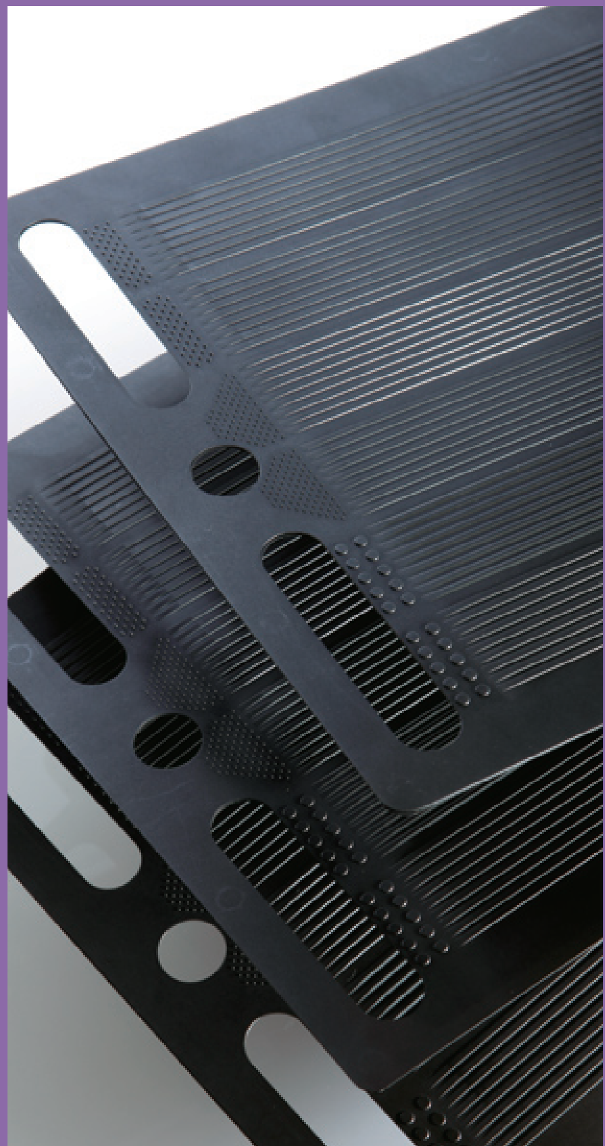
NEXT 2015 Business Strategies

During the previous three-year management plan Challenge 2012, we were forced to revise our targets for the precision instruments business due to the global slump in the solar panel market. However, we focused on reinforcing our global operating base for photovoltaic module manufacturing equipment, centered on East Asian countries such as China, Taiwan and South Korea. We also carried out research and development into solar panel materials as part of efforts to develop total solutions that integrate materials, installation and consulting.

We think the current situation of excess solar panel inventories will continue in the near term, with a full-fledged recovery in the market likely materializing in around 2015. Based on this outlook, we plan to implement two key policies under the new three-year management plan NEXT 2015. First, we will work to drive a recovery in earnings by rebuilding the precision instruments business. We have already reduced the workforce in the photovoltaic module manufacturing equipment business, and we have created an operating structure aligned to demand. We will also implement a number of reform projects aimed at building a stable and sustainable operating structure. For example, we plan to launch a new solar panel material business from the fiscal year ending March 2015.

Our second key policy under the plan is to accelerate the shift to global production and sales. In precision parts processing, our client companies are actively moving into China and we expect demand to expand further in the Chinese market. Similarly, we see rising demand for plastic molding parts in emerging markets, especially in Asia. We therefore plan to strengthen the management of overseas subsidiaries and implement initiatives to develop low-cost products and reinforce marketing.

Photovoltaic module manufacturing equipment



Chemicals

Nisshinbo Chemical Inc.

This segment is pushing ahead with the development of environmental-related products on a global basis, drawing on a broad base of expertise and intellectual property in the chemical field. Our environment- and energy-related products include bipolar plates for fuel cells, electric double-layer capacitors and Carbodilite, which is a high-performance plastic material that increases the durability of bio-plastics. We are investing management resources in these promising growth areas as a matter of priority.

Segment Income Breakdown

(millions of yen)

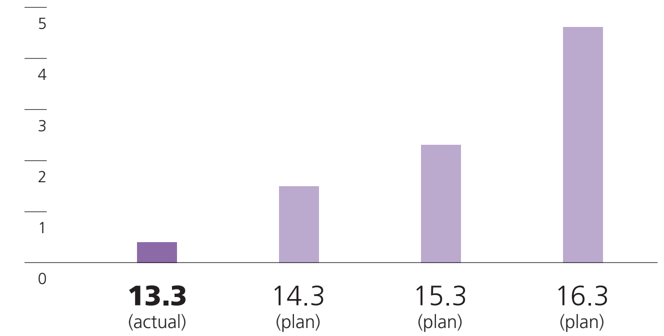
	11.3	12.3	13.3
Urethane, etc.	561	937	**823**
Environmental & Energy Business	(925)	(601)	**(761)**
Others	61	36	**60**
Eliminations	9	1	**10**
Total	(295)	374	**133**

Segment Income

(millions of yen)

Capital Investment Plan

(billions of yen)



Summary of Financial Results for the Fiscal Year Ended March 2013

In the fiscal year ended March 2013, the chemicals business reported net sales of ¥8,150 million, down 1.3% year on year, and operating income of ¥133 million, a decline of 64.5%. Despite heavy investment in environment- and energy-related products, the chemicals business reported a second consecutive year of profits at the operating income level.

In chemical products, thermal insulation products saw firm demand for energy efficiency applications, but sales of high-margin products were sluggish. Demand for carbon products was affected by the weak semiconductor market, while elastomer products were hit by the economic downturn in Europe and falling prices for apparel applications in Japan. As a result, sales and profits in chemical products declined year on year.

In environment- and energy-related products, sales of fuel cell bipolar plates for the Ene-Farm residential fuel cell system in Japan were strong, supported by rising energy efficiency needs since the nuclear power plant accident. However, sales of fuel cell bipolar plates declined overall due to sluggish demand for overseas automotive and stationary fuel cell applications. Sales of electric double-layer capacitors declined due to a strategic focus on automotive applications, leading to lower sales of capacitors for industrial machinery applications. In functional chemicals, sales of Carbodilite grew year on year. This reflected growth in new orders after the material was certified as safe for use as a water-based cross-linking agent*. In response to this growth in demand, we have increased Carbodilite production capacity with the completion of a new facility in June 2013. This has tripled our capacity for water-based cross-linking agents.

* Added to water-based paint and ink with active hydrogen compounds in order to improve durability, chemical resistance and adhesiveness; Carbodilite has been certified as safe, allowing users to comply with VOC standards.

NEXT 2015 Business Strategies

Under the previous medium-term management plan Challenge 2012, the chemical business used its expertise in the chemical field to actively develop environmental-related businesses and new products that accurately targeted customer needs. These efforts helped the chemical business to sharply expand sales of products such as Carbodilite. Also, the Company's fuel cell bipolar plates saw strong sales for use in the Ene-Farm residential fuel cell system in Japan. Our bipolar plates held onto the leading position in the domestic residential fuel cell market while also achieving sales growth. In electric double-layer capacitors, which have potential for automotive applications, we actively marketed our products to automakers and consolidated our business sites to create a stronger research & development and production framework.

Under our new medium-term management plan NEXT 2015, we will build on this progress by further strengthening products positioned to support the Group in the future, such as Carbodilite, fuel cell bipolar plates and electric double-layer capacitors.

We forecast continued growth in demand for Carbodilite, driven by its use as a bioplastic modifier and as a water-based cross-linking agent, an application that saw growth in the fiscal year ended March 2013. Also, amid a growing need for more durable solar panel materials, we plan to aggressively market Carbodilite as a materials modifier.

Demand for our fuel cell bipolar plates remains strong in the domestic residential market, but we are also seeing a gradual upward trend in demand for stationary fuel cell applications overseas. We are also continuing to push ahead with the development of bipolar plates for automotive applications, targeting full-scale launch in the fiscal year ending March 2018.

In electric double-layer capacitors, many automakers are stepping up their initiatives in engine start-stop systems and energy regeneration systems. Some cars on the market today are already fitted with electric double-layer capacitors. In the fiscal year ending March 2014, we will install production capacity for these components ahead of projected widespread adoption in the market. This will give us the framework to provide car makers with test products made on production lines that we plan to use for full-scale production, allowing us to step up marketing activities.

High-performance chemical product
CARBODILITE

Electronics

Japan Radio Co., Ltd.

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

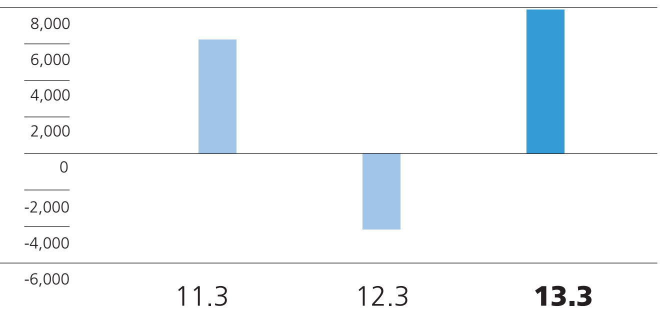
Segment Income Breakdown

(millions of yen)

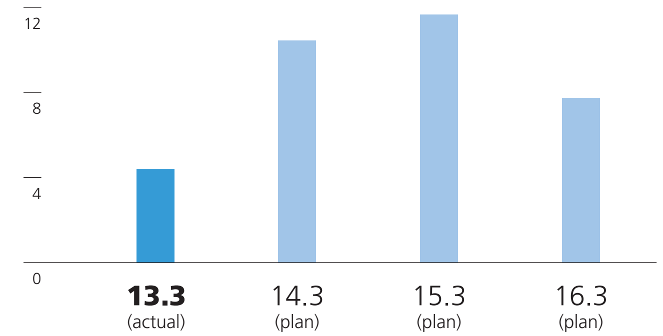
	11.3	12.3	13.3
Japan Radio*	4,829	(2,791)	3,919
New Japan Radio	761	(4,101)	1,470
Nagano Japan Radio*	538	918	864
Ueda Japan Radio	340	556	330
Eliminations	(285)	1,307	1,205
Total	6,184	(4,111)	7,788

* Segment income for 11.3 is for the fourth quarter only.

Segment Income



Capital Investment Plan



Summary of Financial Results for the Fiscal Year Ended March 2013

In the fiscal year ended March 2013, the electronics business reported net sales of ¥175,308 million, up 3.2% year on year, and operating income of ¥7,788 million, a substantial improvement from the operating loss of ¥4,111 million incurred in the previous fiscal year. A recovery in performance at Japan Radio Co., Ltd. was one reason behind the rise in sales. In the previous fiscal year, sales related to public sector demand declined due to the Great East Japan Earthquake and other factors. In the fiscal year under review, although sales of marine equipment contracted year on year, sales of communications infrastructure-related equipment rose due to increased investment by mobile phone operators to improve coverage in underground shopping arcades, tunnels and other areas with poor reception. Disaster prevention-related demand also expanded, supporting higher sales of disaster management wireless communication systems to local governments and backbone multi-channel communication systems for central and local governments. As a result, public sector sales grew strongly year on year.

There were significant contributions to earnings from Japan Radio, which returned to the black due to an increase in sales, and from New Japan Radio Co., Ltd., which also returned to profit on the back of business restructuring measures implemented in the previous fiscal year. Japan Radio announced restructuring measures in September 2012 aimed at delivering a fundamental improvement in profitability through initiatives such as the relocation of the Mitaka Plant and cutbacks in personnel. Japan Radio booked extraordinary gains in March 2013 related to the sale of the Saitama Plant site.

NEXT 2015 Business Strategies

During the previous three-year management plan Challenge 2012, Japan Radio and Nagano Japan Radio Co., Ltd. became consolidated subsidiaries. Together with existing subsidiaries New Japan Radio and Ueda Japan Radio Co., Ltd., this made the electronics business the Group's largest business segment. The electronics business is currently being restructured.

Under the new three-year management plan NEXT 2015, we have developed a shared growth strategy for Japan Radio, Nagano Japan Radio and Ueda Japan Radio, which all have close business links. This strategy targets a more global approach to production and sales. As part of this strategy, we plan to close Japan Radio's Mitaka Plant and transfer production to manufacturing sites operated by Nagano Japan Radio and Ueda Japan Radio, including overseas locations. Also, in March 2013, we built a new plant operated by Nagano Japan Radio's manufacturing subsidiary in Shenzhen, China. Meanwhile, we will also reduce the workforce at Japan Radio. In May 2013, we announced an early retirement program, with 495 employees applying to take up the offer. As a result, we intend to book approximately ¥4.6 billion in related costs under extraordinary losses in the fiscal year ending March 2014.

At Japan Radio, we will continue to focus on securing orders in the disaster prevention business field and in the water and river management business field, amid an expected increase in spending on public sector projects spurred by the government's emergency economic stimulus measures and growth strategies. We also aim to expand our share of the marine electronic equipment market for small and medium class vessels, such as work boats and offshore vessels, a market segment that is likely to see rising demand due to economic growth in Southeast Asian countries and progress with resources development. In addition, we will work to expand sales of automotive equipment, another market that offers growth potential due to the development of intelligent transport systems (ITS).

Meanwhile, New Japan Radio faces a steep decline in demand for consumer electronics due to the slowdown in the global economy. In response, the company aims to improve cost competitiveness through business restructuring while expanding new businesses. Based on the SAW filter business transferred from Japan Radio, New Japan Radio will launch a new foundry business that leverages its existing skills in semiconductor production technology, and also use this technology to create a high-frequency module business. Looking further ahead, New Japan Radio plans to boost profitability by focusing on the promising growth fields of automotive and industrial equipment.

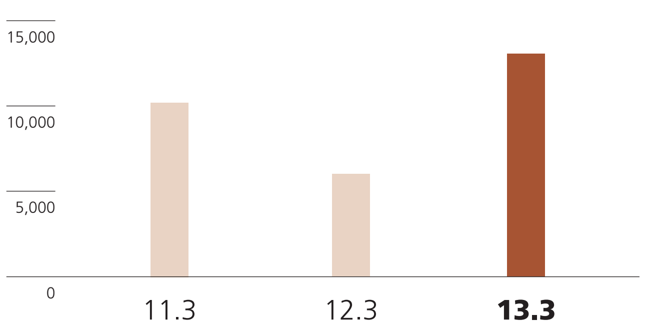
Real Estate

Nisshinbo Holdings Inc.

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

Segment Income

(millions of yen)



Summary of Financial Results for the Fiscal Year Ended March 2013

In the fiscal year ended March 2013, the real estate business reported net sales of ¥15,367 million, up 69.2% year on year, and operating income of ¥12,290 million, an increase of 82.3%. Revenues from sales of building lots rose significantly due to large-scale property releases as part of the redevelopment of the former Nagoya Plant site.

In the building lot sales business, we began releasing lots for detached houses at the former Kawagoe Plant site. Sales of lots at the former Hamamatsu Plant site also gained momentum, contributing to earnings throughout the year. Sales of lots were also steady at the former Harisaki Plant site, a project that has been under way for some time, with sales rising year on year.

Conditions in the rental property market remained challenging, with the office vacancy rate at a persistently high level. However, in our property leasing business, revenues were firm in land leasing and in facility leasing such as offices and commercial properties.

NEXT 2015 Business Strategies

Under the previous three-year management plan Challenge 2012, our management policy was to rationalize the Group's asset portfolio by disposing idle real estate assets. As a result of this policy, revenues generated from the sale of building lots during the period of the plan totaled ¥17.9 billon, much higher than we projected. Our focus will now be on bringing the business up to a steady speed, centered on sales of residential lots for detached houses.

Under the new three-year management plan NEXT 2015, the real estate business will continue to fulfill its role as a source of funds to help Nisshinbo attain its management targets by effectively utilizing the real estate assets of the whole Group.

Redevelopment projects in the fiscal year ending March 2014

- Former Harisaki Plant site (all 227 lots)
- Former Hamamatsu Plant site (all 56 lots)
- Former Kawagoe Plant site (all 257 lots)
- Former dormitory site at Osaka Branch (all 13 lots)
- Former Notogawa Plant site (all 41 lots)

The Nisshinbo Group's Management Framework

Our Vision for the Nisshinbo Group

The Nisshinbo Group's business activities are guided by its Corporate Philosophy: Public Entity, Consistent Integrity and Innovation. Based on this philosophy, Nisshinbo has created a Corporate Code of Conduct and also formulates medium-term management plans to drive sustained growth. The Group contributes to society through the implementation of these plans.

Corporate Philosophy of the Nisshinbo Group

Public Entity	Believing that our companies are public entities, we shall aim to realize a sustainable society by proposing solutions to global environmental problems.
Consistent Integrity	Respecting the diverse cultures and customs of the world, as well as biodiversity, we shall conduct fair and sincere business activities with pride as a corporate citizen.
Innovation	Maintaining our spirit of response to change and unceasing challenge, we shall create an affluent future together with our stakeholders.

Corporate Code of Conduct

- **Human Rights Charter**
- **Environment Charter**
- **Product Safety Charter**

Medium- to Long-Term Management Plan

"An environmental and energy company"
The Nisshinbo Group aims to contribute to the sustained development of smart societies worldwide

Targets for the fiscal year ending March 2018
Net sales of more than ¥600 billion, ROE of over 9%

Medium-Term Management Plan
(fiscal year ending March 2014 to fiscal year ending March 2016)
Three-year management plan NEXT 2015

Corporate Governance

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

The Group's Business Oversight and Execution Framework

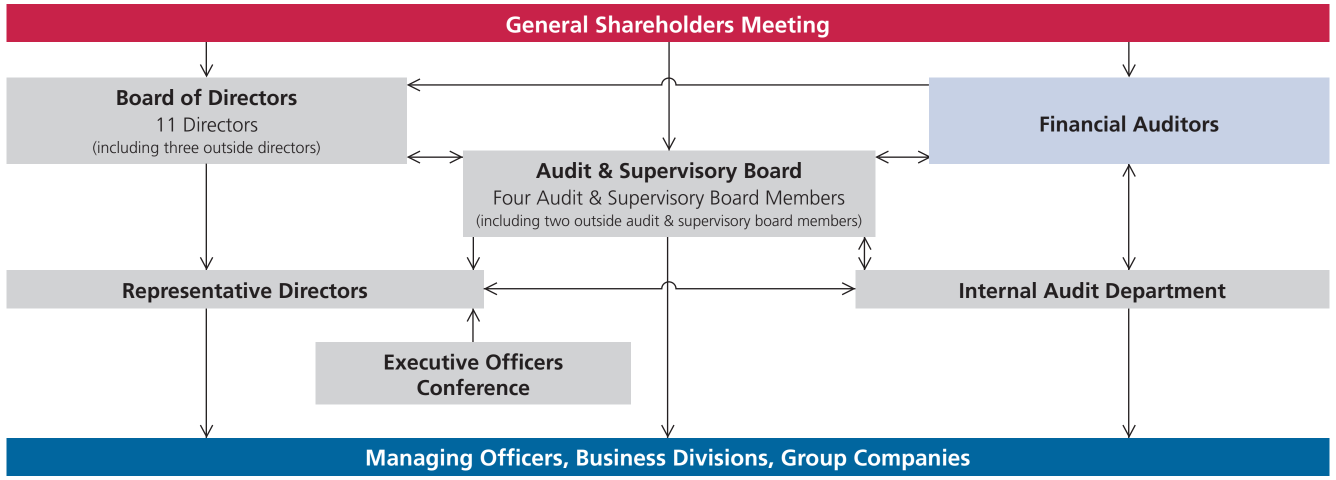
The Company's Board of Directors is responsible for making decisions on key management matters and for overseeing business execution by the directors. We have also adopted a managing officer system in order to strengthen and separate decision-making and oversight functions and business execution functions.

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

The Group's Audit Framework

Nisshinbo has established a Audit & Supervisory Board. The audit framework comprises the audit & supervisory board members, who conduct audits, the independent auditor, who carries out accounting audits, and the Internal Audit Department, which is responsible

Corporate Governance Structure



Representative Directors

Representative directors are selected by resolutions of the Board of Directors. As of June 27, 2013, the chairman, president and senior executive vice president were the Company's three representative directors.

Directors

As of June 27, 2013, the Company had 11 directors, including three outside directors.
The Board of Directors is responsible for making decisions on important management matters and for monitoring the execution of duties by directors. Directors are appointed for one-year terms in order to clarify management responsibility each fiscal year.

Managing Officers

Nisshinbo has adopted a managing officer system to speed up decision-making for business execution and clarify operational responsibilities. As of June 27, 2013, the Company had 13 managing officers, including seven directors with dual roles as managing officers. Managing officers are also appointed for one-year terms.

for conducting internal audits. These groups work closely together to improve corporate governance.

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

1) Audit & Supervisory Board

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

2) Internal Audit Division

Nisshinbo has established an Internal Audit Department independent from executive business functions to act as the Internal Audit Division. The Internal Audit Department conducts ongoing audits of operations across the entire Nisshinbo Group and works to protect corporate assets and increase management efficiency by providing advice and proposals for remedial measures from a legal and rational standpoint. In the fiscal year ended March 2013, the Internal Audit Department stepped up the oversight of Group subsidiaries overseas, which now play an increasingly important role in the Group's operations.

Timely Information Disclosure

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

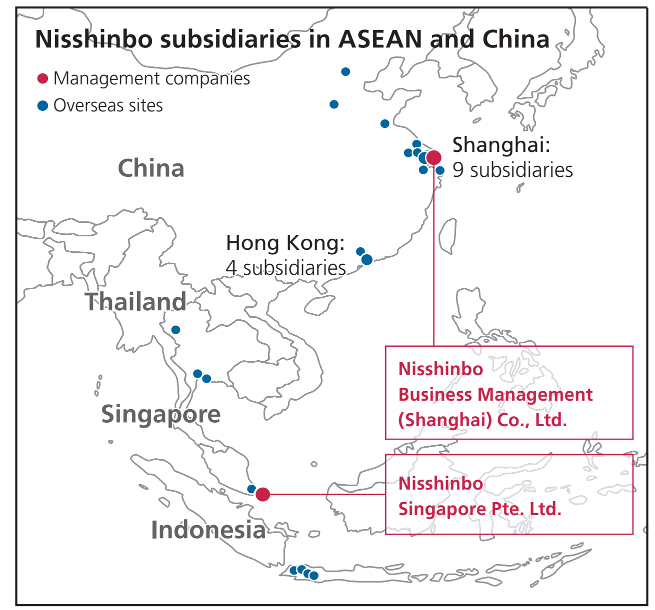
Maintaining Internal Control Systems

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

1) Internal Control System Reporting Related to Financial Reporting

The Financial Instruments and Exchange Law, which includes provisions on internal corporate control known as J-SOX, came into force in April 2008. Since then, we have implemented control measures to maintain and upgrade our internal control system related to financial reporting. During the fiscal year ended March 2013, an assessment led by the Audit Office confirmed that the internal control system related to financial reporting is operating effectively.

Global Management System



Centralized Management of Operations in Asia

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

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

Risk Management

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

Crisis Management System

In order to mitigate and minimize risk and any potential losses, the Company has formulated Crisis Management Regulations covering the whole Group. It also conducts annual training exercises and inspections. Action plans have been created to respond to any risk that impacts on the Group, while systems have been put in place to minimize any losses. In the fiscal year ended March 2013, the Group carried out emergency response drills to test its rapid response system, which was overhauled in the previous fiscal year.

1) Disaster Prevention System

Firefighting teams at each Group business site conduct regular drills to improve disaster prevention capabilities. These drills increase readiness for early-stage fires, life-saving situations and potential emergencies such as gas or chemical leaks, and are developed based on the type and location of each facility. Major business sites conduct annual comprehensive disaster drills, which are reviewed by senior management, to ensure disaster prevention management activities remain at a high state of readiness. In the fiscal year ended March 2013, managing officers inspected 14 business sites.

Initiatives to Protect Personal Information

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

Initiatives to Ensure Information Security

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

We have also formulated information security guidelines, which are used as a checklist by Group companies in Japan and overseas to conduct their own inspections of information security systems. In addition to the above measures to protect IT systems, we are making continuous improvements to the protection of personal information and management of trade secrets through annual internal audits.

Compliance

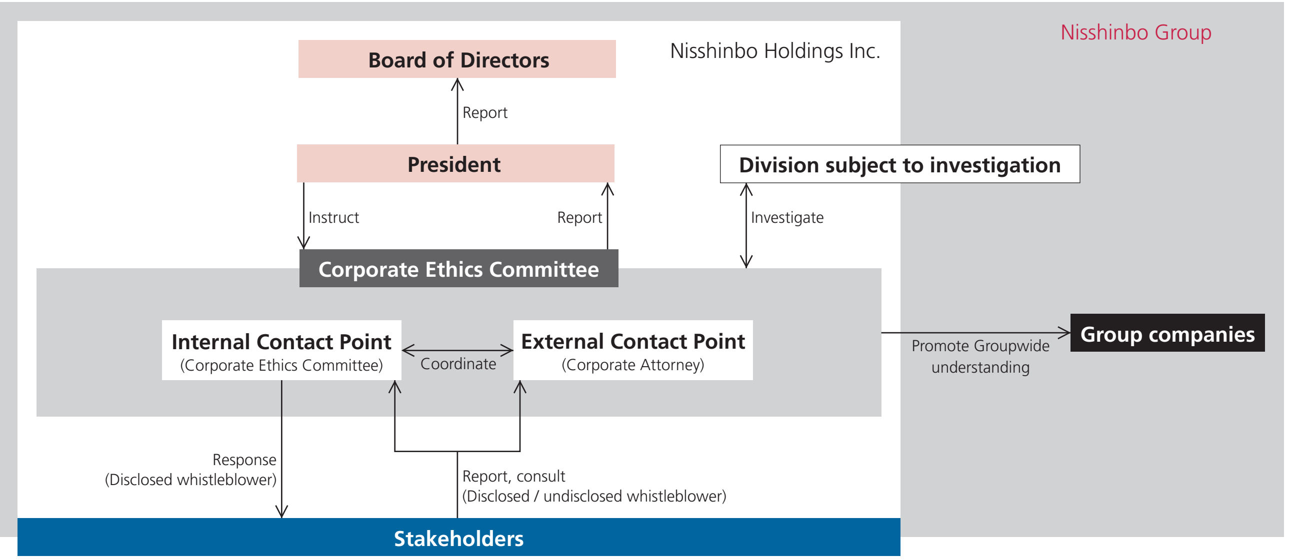
Guided by its philosophy of "consistent integrity," the Nisshinbo Group believes it is important to act with fairness and integrity and to contribute to society through its business activities. We have therefore formulated the Nisshinbo Group's Corporate Code of Conduct. In order to realize the objectives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

Corporate Ethics Committee

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

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

Corporate Ethics Reporting System



Corporate Ethics Reporting System

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

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

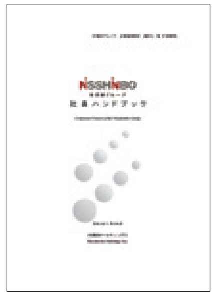
In the case of reports received from individuals who have provided their name and contact details, the Corporate Ethics Committee provides information about how the matter is being dealt with, such as updates on the investigation and a summary of its conclusions. The Corporate Ethics Committee also works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

Compliance Education

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

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

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



Employee Handbook

Board of Directors (As of June 27, 2013)

Director,*1
Chairman
Shizuka Uzawa

Director,*1
President
Masaya Kawata

Director,*1
Senior Executive Vice President
Yoshihito Onda

Director,
Senior Executive Vice President
Masaaki Isobe

Director,
Executive Managing Officer
Masahiro Murakami

Director,
Managing Officer
Nobuyuki Hagiwara

Director,
Managing Officer
Koji Nishihara

Director,
Managing Officer
Toshihiro Kijima

Director*2
Tomofumi Akiyama

Director*2
Noboru Matsuda

Director*2
Yoshinori Shimizu

*1 Representative director
*2 Outside director

Audit & Supervisory Board Members
(As of June 27, 2013)

Yoshio Ide
Masao Satsuka

Outside Audit & Supervisory Board Members
Yo Kawakami
Toshihiko Tomita

Managing Officers
(As of June 27, 2013)

President
Masaya Kawata*

Senior Executive Vice Presidents
Yoshihito Onda*
Masaaki Isobe*

Executive Managing Officer
Masahiro Murakami*

Managing Officers
Nobuyuki Hagiwara*
Koji Nishihara*
Toshihiro Kijima*
Kazunori Baba
Masahiro Kawamura
Hiroshi Nakano
Akihiro Yoshino
Masakazu Aitsuki
Kazuhiro Iwata

* Concurrent board member

Financial Section

Management's Discussion and Analysis

HIGHLIGHTS

- **Net sales rose sharply year on year due to a full year of sales from TMD Friction Group S.A., acquired in the previous fiscal year.**
- **Operating income increased on the back of an improvement in profitability in the electronics business and large-scale property releases in the real estate business.**
- **The Group formulated NEXT 2015, its new three-year management plan from the fiscal year ending March 2014.**

OPERATING RESULTS

Overview

During the fiscal year ended March 2013, the U.S. economy continued to see a moderate recovery supported by consumer spending, but the European economy remained in recession due to factors such as the sovereign debt crisis and persistently high unemployment. In Asia, the economy recovered overall on the back of a pickup in consumer spending and exports, despite a slowdown in economic growth in China and India. In Japan, the economy remained lackluster. However, there were signs of an upturn, including early indications of a recovery in consumer spending. The correction to the strong yen and strengthening consumer confidence fueled expectations of a gradual recovery in the domestic economy, but the risk of a downturn remained amid concerns about the impact of the sovereign debt crisis in Europe and fiscal austerity measures in the U.S.

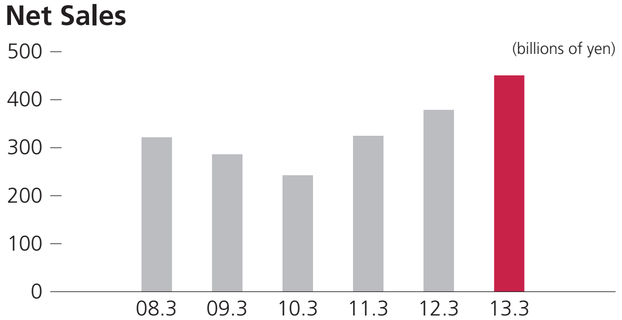
Against this backdrop, the Nisshinbo Group worked to make its operations more global in parallel with business expansion, develop and strengthen new businesses in the environmental and energy fields, and rebuild existing businesses. In order to drive a further recovery in profitability, the Group launched structural reforms in the precision instruments business segment and in the wireless communications business, part of the electronics business segment. These reforms are part of a package of measures aimed at strengthening the Nisshinbo Group's business base.

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

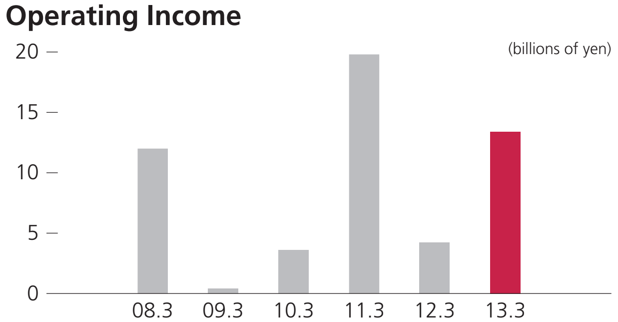
Net sales totaled ¥450,693 million, up 18.8% year on year. The large increase in sales mainly reflected the consolidation of TMD Friction Group S.A. (TMD). Operating income also grew strongly, rising 221.1% year on year to ¥13,394 million due to a recovery in profitability in the electronics business and large-scale property releases in the real estate business. In the electronics business, restructuring measures helped New Japan Radio Co., Ltd. return to profit.

However, net income declined 31.8% year on year to ¥6,418 million, reflecting extraordinary losses such as a one-time write-off of issuance expenses and a premium paid to bondholders related to the early redemption of corporate bonds issued by a subsidiary of TMD. Other factors behind the decline in net income included an increase in corporate taxes.

Net Sales



Operating Income



CURRENT BUSINESS STRATEGIES AND FUTURE PROSPECTS

The Nisshinbo Group is targeting net sales of more than ¥600 billion and ROE of over 9% as long-term performance goals to be achieved in the fiscal year ending March 2018. As a key milestone on the road to those goals, the Group has formulated NEXT 2015, a new three-year management plan covering the period from the fiscal year ending March 2014 to the fiscal year ending March 2016.

As the "next" stage following the period of "challenge" under the previous management plan, NEXT 2015 positions the coming three years as a period to build a global growth strategy based on environmental and energy businesses and to enhance corporate value in order to realize the Group's long-term performance goals. Guided by three basic policies—strengthening the Group's business structure by improving profitability and enhancing global competitiveness; fostering growth drivers; and reinforcing management—we will focus on: regenerating and expanding the electronics business, strengthening the automobile brakes business, stepping up growth in environmental businesses, and generating synergies between businesses.

For the fiscal year ending March 2014, the key theme will be "integration for growth" (global, environmental, energy). Guided by this theme, we will implement a growth strategy that targets the expanding Asian economy. We will also steer the Group in a bold new direction by rapidly developing new businesses in the environmental and energy fields. Our priority measures will be to regenerate and expand the electronics business and to achieve a recovery in earnings at TMD.

In the electronics business, we plan to build on the success of business restructuring at New Japan Radio in the fiscal year under review. In order to further strengthen the operating structure in the electronics business, we will roll out a strategy to generate new growth and implement radical structural reforms centered on Japan Radio Co., Ltd., which is focused on wireless communications technology, as well as Nagano Japan Radio Co., Ltd. and Ueda Japan Radio Co., Ltd., which all have close business links.

In the automobile brakes business, we plan to reinforce the earnings structure by implementing cost reforms at TMD.

We forecast earnings will improve in the fiscal year ending March 2014. Although one-time factors that boosted profits in the fiscal year under review are set to drop out, such as operating income of ¥5,476 million in the real estate business related to large-scale property releases (sales of lots at the former Nagoya Plant site), we expect the automobile brakes business (upturn in earnings at TMD) and the precision instruments business (benefits of restructuring in the photovoltaic module manufacturing equipment business) to support earnings growth. However, we also foresee extraordinary losses related to business restructuring at Japan Radio. Our estimates are based on average exchange rates for the fiscal year of ¥95/US$ and ¥125/€.

	Net Sales (millions of yen)		Operating Income (Loss) (millions of yen)	
Textiles	50,773	down 16.7%	575	down 31.6%
Automobile Brakes	118,849	up 150.5%	(4,302)	a deterioration of ¥8,556 million
Papers	30,524	up 1.0%	709	up 171.8%
Precision Instruments	24,520	down 2.7%	(146)	an improvement of ¥923 million
Chemicals	8,150	down 1.3%	133	down 64.5%
Electronics	175,308	up 3.2%	7,788	an improvement of ¥11,900 million
Real Estate	15,367	up 69.2%	12,290	up 82.3%
Other Businesses	27,202	down 3.8%	263	down 59.7%

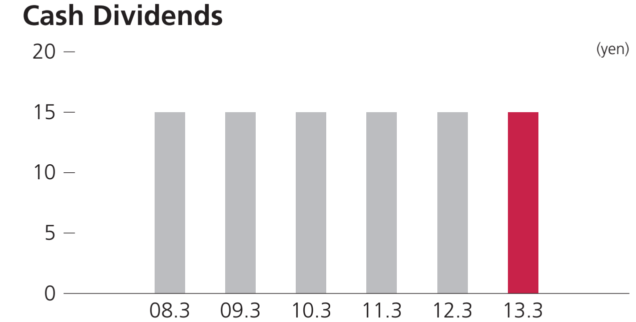
Note: Changes in net sales and operating income (loss) are year-on-year figures; please refer to pages 16 to 28 for details on performance in individual segments.

DIVIDEND

Paying shareholders a stable dividend is one of Nisshinbo's top priorities. Based on this thinking, the Company's basic policy is to pay a stable and consistent dividend while taking into account the need to strengthen the entire Group over the long term and to ensure sufficient internal reserves to fund business development.

In line with this policy, Nisshinbo aims to pay an annual dividend of ¥15.00 per share while working to distribute profits to shareholders by flexibly increasing dividends in response to growth in earnings. Also, in principle, Nisshinbo intends to retire treasury stock rather than hold it for long periods.

Cash Dividends



FINANCIAL POSITION

Total assets at the end of the fiscal year under review stood at ¥551,933 million, an increase of ¥17,349 million from the end of the previous fiscal year. This increase mainly reflected the consolidation of companies such as Nisshinbo Saeron (Changshu) Automotive Co., Ltd. and an increase in the market value of investment securities. Other changes in assets included increases of ¥4,840 million in receivables and ¥15,307 million in investment securities, and a decline of ¥2,339 million in goodwill.

Total liabilities at the end of the fiscal year were ¥309,310 million, a decline of ¥11,523 million from the end of the previous fiscal year. This mainly reflected an increase of ¥14,491 million in the current portion of long-term debt, a decline of ¥34,853 million in long-term debt, and an increase of ¥7,437 million in deferred tax liabilities (long-term liabilities).

Net assets at the end of the fiscal year totaled ¥242,623 million, an increase of ¥28,872 million from the end of the previous fiscal year. This primarily reflected increases of ¥3,742 million in retained earnings, ¥9,903 million in net unrealized gain on available-for-sale securities, ¥9,933 million in foreign currency translation adjustments, and ¥5,194 million in minority interests. As a result of the above, the shareholders' equity ratio increased 3.2 percentage points year on year to 37.9%.

In the fiscal year ended March 2013, the Company carried out the early redemption of some corporate bonds issued by a subsidiary of TMD. In addition, steps were taken to reduce interest-bearing debt and interest payments by using funds more efficiently on a global basis through the use of regional subsidiaries established in Singapore and China in the previous fiscal year.

Going forward, the Group is likely to require substantial funds for shareholder returns such as dividend payments, for restructuring existing businesses to change their strategic direction, and for new business development in the environmental and energy fields. In addition to using operating cash flow to fund these requirements, the Group will reduce inventories and other current assets to further cut back interest-bearing debt and use funds more efficiently.

CASH FLOWS

Cash Flows from Operating Activities

Cash provided by operating activities totaled ¥34,095 million, mainly reflecting income before income taxes and minority interests of ¥16,886 million and depreciation and amortization of ¥18,969 million.

Cash Flows from Investing Activities

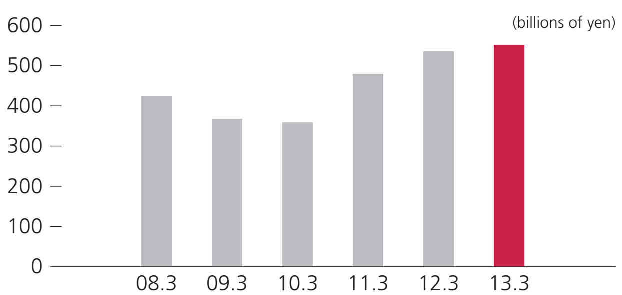
Cash used in investing activities totaled ¥10,973 million, primarily reflecting cash used of ¥19,489 million for the purchase of property, plant and equipment and cash provided of ¥6,859 million from the sale of property, plant and equipment.

Cash Flows from Financing Activities

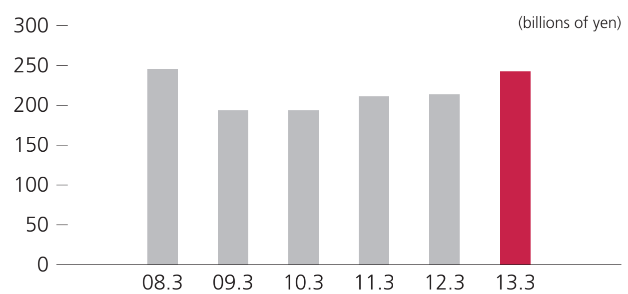
Cash used in financing activities totaled ¥24,073 million, mainly reflecting cash provided of ¥4,301 million from the issuance of long-term debt and cash used of ¥28,884 million for the repayment of long-term debt.

As a result of the above, cash and cash equivalents at the end of the fiscal year totaled ¥18,403 million, an increase of ¥1,499 million from the end of the previous fiscal year.

Total Assets



Net Assets



PRODUCTION RESULTS

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

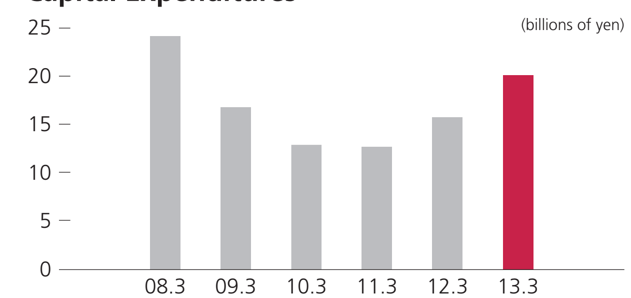
Industry Segment	Amount (millions of yen)	Year-on-Year Change (%)
Textiles	37,207	-15.0
Automobile Brakes	95,497	123.1
Papers	26,679	-1.0
Precision Instruments	23,575	1.3
Chemicals	6,445	-1.1
Electronics	183,915	2.5
Other Businesses	152	—
Total	373,471	15.7

Notes: 1. Amounts are calculated based on manufacturing costs.
2. The real estate business does not engage in manufacturing, and therefore the above table does not include any amounts from this segment.
3. The above amounts do not include consumption taxes.
4. Production in the automobile brakes business increased sharply year on year due to the consolidation of TMD Friction Group S.A. and its 34 consolidated subsidiaries.

CAPITAL EXPENDITURES

The Nisshinbo Group channels capital expenditures into priority product fields that offer the potential for long-term growth and into upgrading manufacturing equipment to raise product quality. It also invests in environmental measures such as the reduction of greenhouse gases and in manufacturing facilities in China and Southeast Asia in response to rising demand driven by market expansion. In the fiscal year ended March 2013, capital expenditures, including spending on intangible assets, totaled ¥20,123 million. In the automobile brakes business, the Group invested ¥3,917 million to increase brake friction material manufacturing capacity at consolidated subsidiary TMD Friction GmbH and other companies, and ¥3,310 million to upgrade brake friction material manufacturing facilities at consolidated subsidiaries Nisshinbo Somboon Automotive Co., Ltd. and Nisshinbo Saeron (Changshu) Automotive Co., Ltd. In the electronics business, ¥2,168 million in capital expenditures was mainly spent on semiconductor manufacturing and R&D facilities at consolidated subsidiary New Japan Radio.

Capital Expenditures



RISK INFORMATION

Forward-looking statements in this report are based on information available to the Nisshinbo Group as of March 31, 2013.

Risks Associated with New Businesses

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

Risk of Fluctuation in the Value of Investment Securities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

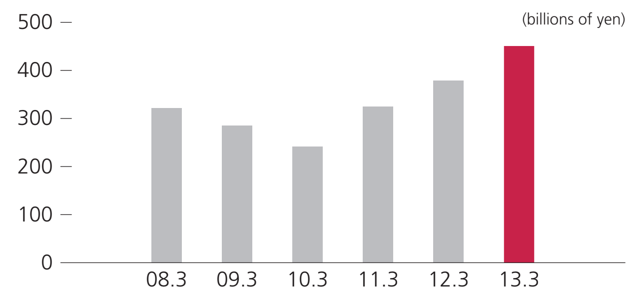
Six-Year Summary

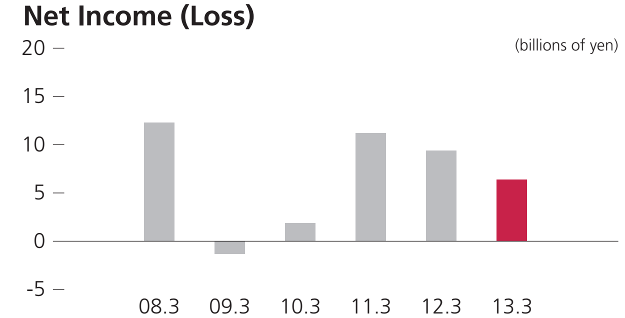
For the years ended March 31

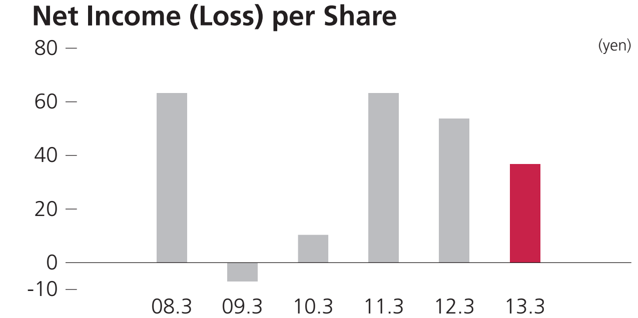
(millions of yen)

	2008	2009	2010	2011	2012	**2013**
Net Sales	322,412	286,167	242,409	325,555	379,340	**450,693**
Operating Income	12,034	408	3,570	19,843	4,170	**13,394**
Net Income (Loss)	12,290	(1,286)	1,896	11,185	9,416	**6,418**
Net Assets	245,909	193,698	193,639	211,557	213,751	**242,623**
Total Assets	424,706	366,858	358,110	479,852	534,584	**551,933**
Shareholders' Equity Ratio (%)	53.0	49.0	51.1	38.0	34.7	**37.9**
Return on Assets (%)	2.7	(0.3)	0.5	2.7	1.9	**1.2**
Return on Equity (%)	5.1	(0.6)	1.0	6.1	5.1	**3.2**
Payout Ratio (%)*	—	—	167.7	27.5	36.1	**31.5**
Capital Expenditures	24,280	16,872	13,027	12,800	15,705	**20,123**
Depreciation and Amortization	16,890	18,025	12,960	13,158	14,550	**18,969**
Common Shares Issued	198,698,939	184,098,939	184,098,939	178,798,939	178,798,939	**178,798,939**
Per Share (in yen):						
Net Income (Loss)	63.34	(7.08)	10.38	63.32	53.83	**36.74**
Shareholders' Equity	1,179.43	985.19	1,034.04	1,036.80	1,063.19	**1,198.67**
Cash Dividends	15.00	15.00	15.00	15.00	15.00	**15.00**
Number of Employees	13,253	12,726	12,488	18,292	22,304	**22,083**

*Payout Ratio is on a non-consolidated basis.

Net Sales


Net Income (Loss)


Net Income (Loss) per Share


Consolidated Balance Sheets

(March 31, 2013 and 2012)

ASSETS	2013 (millions of yen)	2012 (millions of yen)	2013 (thousands of US dollars) (Note 1)
Current assets:			
Cash and cash equivalents	¥18,403	¥16,904	$193,716
Time deposits (Note 5)	1,798	3,995	18,926
Marketable securities (Note 4)	162	163	1,705
Receivables			
Notes receivable, trade	10,059	13,226	105,884
Accounts receivable, trade (Note 5)	118,806	111,122	1,250,589
Unconsolidated subsidiaries and affiliates	1,317	224	13,863
Other	4,073	4,895	42,874
	134,255	129,467	1,413,210
Less allowance for doubtful accounts	(804)	(856)	(8,463)
	133,451	128,611	1,404,747
Inventories (Notes 3 and 5)	79,706	81,603	839,011
Deferred tax assets (Note 7)	2,832	5,297	29,810
Other current assets (Note 5)	2,967	3,028	31,232
Total current assets	239,319	239,601	2,519,147
Property, plant and equipment (Note 5):			
Land	51,792	54,973	545,179
Buildings and structures	166,154	165,866	1,748,990
Machinery, equipment and tools	282,553	271,415	2,974,242
Construction in progress	2,389	3,417	25,147
	502,888	495,671	5,293,558
Less accumulated depreciation	(337,336)	(332,846)	(3,550,905)
	165,552	162,825	1,742,653
Investments and other assets:			
Investment securities (Notes 4 and 5)	72,013	56,706	758,032
Investments in and advances to unconsolidated subsidiaries and affiliates	18,845	17,177	198,368
Deferred tax assets (Note 7)	5,883	5,395	61,926
Goodwill	23,002	25,341	242,126
Other	27,319	27,539	287,569
	147,062	132,158	1,548,021
	¥551,933	¥534,584	$5,809,821

See Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	2013 (millions of yen)	2012 (millions of yen)	2013 (thousands of US dollars) (Note 1)
Current liabilities:			
Short-term bank loans (Note 5)	¥28,736	¥26,929	$302,484
Commercial paper	30,000	27,000	315,790
Current portion of long-term debt (Note 5)	35,116	20,625	369,642
Payables			
Notes and accounts payable, trade (Note 5)	58,543	58,970	616,242
Unconsolidated subsidiaries and affiliates	217	562	2,284
Other	9,071	9,757	95,485
	67,831	69,289	714,011
Accrued expenses	12,838	11,867	135,137
Accrued income taxes	3,066	2,170	32,274
Deferred tax liabilities (Note 7)	41	628	431
Other current liabilities	10,777	10,431	113,442
Total current liabilities	188,405	168,939	1,983,211
Long-term liabilities:			
Long-term debt (Note 5)	27,346	62,199	287,853
Accrued severance benefits (Note 6)	41,008	43,342	431,663
Deferred tax liabilities (Note 7)	34,409	26,972	362,200
Other long-term liabilities (Note 5)	18,142	19,381	190,968
	120,905	151,894	1,272,684
Commitments and contingencies (Note 11)			
Net assets (Note 12):			
Shareholders' equity:			
Common stock:			
Authorized—371,755,000 shares			
Issued 2013 and 2012—178,798,939 shares	27,588	27,588	290,400
Capital surplus	20,401	20,401	214,747
Retained earnings	143,955	140,213	1,515,316
Less shares in treasury			
2013—4,126,301 shares	(3,534)	—	(37,200)
2012—4,107,359 shares	—	(3,522)	—
Total shareholders' equity	188,410	184,680	1,983,263
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	25,247	15,344	265,758
Deferred gain (loss) on derivatives under hedge accounting	65	(11)	684
Foreign currency translation adjustments	(4,347)	(14,280)	(45,758)
Total accumulated other comprehensive income	20,965	1,053	220,684
Stock acquisition rights	282	246	2,968
Minority interests	32,966	27,772	347,011
Total net assets	242,623	213,751	2,553,926
	¥551,933	¥534,584	$5,809,821

Consolidated Statements of Income

(Years ended March 31, 2013 and 2012)

	(millions of yen)		(thousands of US dollars) (Note 1)
	2013	2012	2013
Net sales	¥450,693	¥379,340	$4,744,137
Costs and expenses:			
Cost of sales	359,463	317,534	3,783,821
Selling, general and administrative expenses	77,836	57,636	819,327
	437,299	375,170	4,603,148
Operating income	13,394	4,170	140,989
Other income (expenses):			
Interest and dividend income	1,621	1,888	17,063
Interest expenses	(2,241)	(1,099)	(23,589)
Equity in earnings of affiliates	3,075	3,502	32,368
Other, net (Note 10)	1,037	(5,430)	10,916
	3,492	(1,139)	36,758
Income before income taxes and minority interests	16,886	3,031	177,747
Income taxes (Note 7):			
Current	3,750	2,718	39,474
Deferred	2,541	(6,038)	26,747
	6,291	(3,320)	66,221
Income before minority interests	10,595	6,351	111,526
Minority interests (loss) in net income	4,177	(3,065)	43,968
Net income	¥6,418	¥9,416	$67,558

Per share:		(yen)	(US dollars)
Net income	¥36.74	¥53.83	$0.39
Cash dividends	15.00	15.00	0.16

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(Years ended March 31, 2013 and 2012)

	(millions of yen)		(thousands of US dollars) (Note 1)
	2013	2012	2013
Income before minority interests	¥10,595	¥6,351	$111,526
Other comprehensive income:			
Net unrealized gain on available-for-sale securities	10,042	1,522	105,705
Deferred loss on derivatives under hedge accounting	76	65	800
Foreign currency translation adjustments	10,411	(4,623)	109,590
Equity in earnings (loss) of affiliates	508	(115)	5,347
	21,037	(3,151)	221,442
Comprehensive income	¥31,632	¥3,200	$332,968
Comprehensive income:			
Parent	¥26,330	¥6,888	$277,158
Minority interests	¥5,302	¥(3,688)	$55,810

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

(Years ended March 31, 2013 and 2012)

	(millions of yen)		(thousands of US dollars) (Note 1)
	2013	2012	**2013**
Common stock:			
Balance at beginning of year			
(2013 and 2012—178,798,939 shares)	**¥27,588**	¥27,588	**$290,400**
Balance at end of year			
(2013 and 2012—178,798,939 shares)	**¥27,588**	¥27,588	**$290,400**
Capital surplus:			
Balance at beginning of year	**¥20,401**	¥20,401	**$214,747**
Balance at end of year	**¥20,401**	¥20,401	**$214,747**
Retained earnings:			
Balance at beginning of year	**¥140,213**	¥133,230	**$1,475,927**
Net income	**6,418**	9,416	**67,558**
Cash dividends	**(2,620)**	(2,630)	**(27,579)**
Adjustment due to increase in consolidated subsidiaries	**(54)**	(27)	**(568)**
Adjustment due to increase in affiliates accounted for by the equity method	**—**	141	**—**
Sale of treasury stock	**(1)**	0	**(11)**
Other	**(1)**	83	**(11)**
Balance at end of year	**¥143,955**	¥140,213	**$1,515,316**
Treasury stock at cost:			
Balance at beginning of year	**¥(3,522)**	¥(2,591)	**$(37,074)**
Add: acquired	**(13)**	(931)	**(137)**
Deduct: sold	**1**	0	**11**
Balance at end of year	**¥(3,534)**	¥(3,522)	**$(37,200)**
Net unrealized gain on available-for-sale securities:			
Balance at beginning of year	**¥15,344**	¥13,430	**$161,516**
Net changes	**9,903**	1,914	**104,242**
Balance at end of year	**¥25,247**	¥15,344	**$265,758**
Deferred gain (loss) on derivatives under hedge accounting:			
Balance at beginning of year	**¥(11)**	¥(76)	**$(116)**
Net changes	**76**	65	**800**
Balance at end of year	**¥65**	¥(11)	**$684**
Foreign currency translation adjustments:			
Balance at beginning of year	**¥(14,280)**	¥(9,601)	**$(150,316)**
Net changes	**9,933**	(4,679)	**104,558**
Balance at end of year	**¥(4,347)**	¥(14,280)	**$(45,758)**
Stock acquisition rights:			
Balance at beginning of year	**¥246**	¥203	**$2,589**
Net changes	**36**	43	**379**
Balance at end of year	**¥282**	¥246	**$2,968**
Minority interests:			
Balance at beginning of year	**¥27,772**	¥28,973	**$292,337**
Net changes	**5,194**	(1,201)	**54,674**
Balance at end of year	**¥32,966**	¥27,772	**$347,011**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(Years ended March 31, 2013 and 2012)

	(millions of yen)		(thousands of US dollars) (Note 1)
	2013	2012	**2013**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥16,886**	¥3,031	**$177,747**
Adjustments to reconcile net income to net cash provided by operating activities:			
Income taxes—paid	**(2,410)**	(1,552)	**(25,368)**
Depreciation and amortization	**18,969**	14,550	**199,674**
Amortization of goodwill	**4,899**	41	**51,568**
Equity in earnings of affiliates	**(3,075)**	(3,502)	**(32,368)**
Provision for doubtful receivables	**161**	87	**1,695**
Provision for accrued pension and severance benefits	**6,325**	6,986	**66,579**
Payment of accrued pension and severance benefits	**(9,121)**	(7,274)	**(96,011)**
Gain on sale of property, plant and equipment	**(2,191)**	(348)	**(23,063)**
Impairment of long-lived assets	**384**	1,045	**4,042**
Gain on sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	**(255)**	(670)	**(2,684)**
Loss on write-down of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	**328**	534	**3,453**
Other	**602**	1,444	**6,337**
Changes in operating assets and liabilities:			
Receivables	**(1,146)**	(919)	**(12,063)**
Inventories	**4,033**	(138)	**42,452**
Payables	**(1,543)**	1,052	**(16,242)**
Other, net	**1,249**	(1,393)	**13,147**
Net cash provided by operating activities	**34,095**	12,974	**358,895**
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	**6,859**	2,791	**72,200**
Proceeds from sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	**314**	3,224	**3,305**
Payment for purchase of property, plant and equipment	**(19,489)**	(14,580)	**(205,147)**
Payment for purchase of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates	**(246)**	(1,436)	**(2,590)**
(Increase) decrease in time deposits	**2,742**	(2,720)	**28,863**
Cash paid for newly consolidated subsidiaries, net of payment for purchase of companies	**—**	(43,361)	**—**
Other, net	**(1,153)**	(1,779)	**(12,137)**
Net cash used in investing activities	**(10,973)**	(57,861)	**(115,506)**
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	**4,301**	49,492	**45,274**
Repayment of long-term debt	**(28,884)**	(31,734)	**(304,042)**
Increase in short-term bank loans	**1,380**	998	**14,526**
Increase in commercial paper	**3,000**	2,000	**31,579**
Cash dividends paid	**(2,620)**	(2,630)	**(27,579)**
Payment for purchase of treasury stock	**(13)**	(12)	**(137)**
Proceeds from treasury stock sold of consolidated subsidiaries	**0**	167	**0**
Decrease in other long-term liabilities	**(1,089)**	(1,103)	**(11,463)**
Other, net	**(148)**	(343)	**(1,558)**
Net cash provided by (used in) financing activities	**(24,073)**	16,835	**(253,400)**
Effect of exchange rate changes on cash	**1,662**	(1,223)	**17,495**
Net increase (decrease) in cash and cash equivalents	**711**	(29,275)	**7,484**
Cash and cash equivalents of newly consolidated subsidiaries at beginning of year	**788**	616	**8,295**
Cash and cash equivalents at beginning of year	**16,904**	45,563	**177,937**
Cash and cash equivalents at end of year	**¥18,403**	¥16,904	**$193,716**

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, 2013. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into United States dollars.

2. Summary of Significant Accounting Policies

(a) Consolidation

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

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

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

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

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

(b) Foreign currency transactions

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

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

(c) Foreign currency financial statements

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

(d) Cash and cash equivalents

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

(e) Inventories

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

(f) Marketable securities and other investments

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

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

When such a decline exists, the Company recognizes an impairment loss to the extent of such decline.

(g) Property, plant and equipment

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

(h) Goodwill

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

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

(i) Impairment of long-lived assets

Long-lived assets are evaluated for impairment using an estimate of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of such assets 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. On the balance sheet, the stock option is presented as a stock acquisition right as a separate component of net assets until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

(l) Research and development costs

Research and development costs are charged to income as incurred.

(m) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(n) Derivative financial instruments

The Group uses a variety of derivative financial instruments, including foreign currency forward contracts, currency swaps, coupon swaps, currency options and interest rate swaps, as a means of hedging exposure to foreign currency and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

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

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

(o) Asset retirement obligations

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

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

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

3. Inventories

Inventories at March 31, 2013 and 2012 were as follows:

	(millions of yen) 2013	2012	(thousands of US dollars) 2013
Finished products	¥27,606	¥30,323	$290,590
Work in process	34,344	33,739	361,516
Materials and supplies	17,756	17,541	186,905
	¥79,706	¥81,603	$839,011

4. Marketable and Investment Securities

The carrying amounts and aggregate fair values of available-for-sale securities included in marketable and investment securities at March 31, 2013 and 2012 were as follows:

	(millions of yen) 2013	2012	(thousands of US dollars) 2013
Cost	¥29,421	¥29,008	$309,695
Unrealized gains	41,621	27,597	438,116
Unrealized losses	(1,483)	(2,712)	(15,611)
Fair value	¥69,559	¥53,893	$732,200

Aggregate cost of non-marketable securities accounted for under the cost method totaled ¥2,616 million ($27,537 thousand) and ¥2,976 million at March 31, 2013 and 2012, respectively.

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

The annual interest rates applicable to the short-term bank loans at March 31, 2013 and 2012 were 0.5% to 8.2%. Long-term debt at March 31, 2013 and 2012 consisted of the following:

	(millions of yen) 2013	2012	(thousands of US dollars) 2013
Long-term debt with collateral:			
Loans from banks maturing serially to 2025, ranging from 0.7% to 3.8%	¥12,851	¥14,958	$135,274
10.8% bonds due in 2014	11,134	16,113	117,200
Long-term debt without collateral:			
Loans from banks maturing serially to 2018, ranging from 0.6% to 6.0%	37,306	50,862	392,695
Capital lease obligations, due through 2018	1,171	891	12,326
	62,462	82,824	657,495
Less current portion	(35,116)	(20,625)	(369,642)
	¥27,346	¥62,199	$287,853

Annual maturities of long-term debt were as follows:

	(millions of yen)	(thousands of US dollars)
Year ending March 31,		
2014	¥35,116	$369,642
2015	19,041	200,432
2016	5,490	57,789
2017	1,015	10,684
2018 and thereafter	1,800	18,948
	¥62,462	$657,495

At March 31, 2013 and 2012, net book value of assets pledged as collateral for short-term bank loans and long-term debt were as follows:

	(millions of yen) 2013	2012	(thousands of US dollars) 2013
Inventories	¥15,360	¥14,044	$161,684
Property, plant and equipment	26,524	20,838	279,200
Accounts receivable, trade	13,982	12,695	147,179
Investment securities	409	338	4,305
Time deposits	1,612	1,479	16,969
Other current assets	482	664	5,074
	¥58,369	¥50,058	$614,411

At March 31, 2013 and 2012, in addition, pledged assets as collateral for liabilities other than the above were as follows:

	(millions of yen) 2013	2012	(thousands of US dollars) 2013
Assets pledged:			
Property, plant and equipment	¥7,378	¥7,605	$77,663
Investment securities	488	450	5,137
Time deposits	1	—	11
	¥7,867	¥8,055	$82,811

	(millions of yen) 2013	2012	(thousands of US dollars) 2013
Liabilities with collateral:			
Other long-term liabilities	¥8,031	¥8,596	$84,537
Notes and accounts payable, trade	314	311	3,305
	¥8,345	¥8,907	$87,842

6. Retirement and Pension Plans

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

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

The liability for retirement benefits for directors and corporate auditors at March 31, 2013 and 2012 were ¥153 million ($1,610 thousand) and ¥333 million, respectively. 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, 2013 and 2012 consisted of the following:

	(millions of yen)		(thousands of US dollars)
	2013	2012	**2013**
Projected benefit obligation	**¥107,866**	¥98,258	**$1,135,432**
Fair value of plan assets	**(58,219)**	(51,746)	**(612,832)**
	49,647	46,512	**522,600**
Unrecognized prior service cost	**1,211**	1,520	**12,748**
Unrecognized actuarial loss	**(13,034)**	(7,847)	**(137,200)**
	37,824	40,185	**398,148**
Prepaid pension cost	**3,031**	2,824	**31,905**
	¥40,855	¥43,009	**$430,053**

The components of net periodic retirement benefit costs for the years ended March 31, 2013 and 2012 were as follows:

	(millions of yen)		(thousands of US dollars)
	2013	2012	**2013**
Defined benefits plans:			
Service cost	**¥4,546**	¥3,992	**$47,853**
Interest cost	**2,105**	1,782	**22,158**
Expected return on plan assets	**(1,221)**	(574)	**(12,853)**
Amortization of prior service cost	**(308)**	(258)	**(3,242)**
Recognized actuarial loss	**1,139**	1,094	**11,989**
Net periodic benefit costs	**6,261**	6,036	**65,905**
Defined contribution plan:			
Defined contribution pension cost	**636**	628	**6,695**
Total	**¥6,897**	¥6,664	**$72,600**

Retirement benefits paid due to restructuring of business operations for the years ended March 31, 2013 and 2012 were ¥1,093 million ($11,505 thousand) and ¥4,583 million, respectively.

Assumptions used for the years ended March 31, 2013 and 2012 were set forth as follows:

	2013	2012
Discount rate	**1.0%–2.0%**	1.3%–2.0%
Expected rate of return on plan assets	**1.5%–4.2%**	0.0%–6.0%
Amortization period of prior service cost	**10–15 years**	10–15 years
Recognition period of actuarial gain / loss	**12–14 years**	10–15 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, 2013 and 2012 were as follows:

	(millions of yen)		(thousands of US dollars)
	2013	2012	**2013**
Deferred tax assets:			
Loss on devaluation of inventories	**¥1,951**	¥2,589	**$20,537**
Tax loss carryforwards	**23,620**	25,429	**248,632**
Allowance for doubtful accounts	**806**	1,084	**8,484**
Accrued employees' bonuses	**2,184**	2,145	**22,989**
Accrued severance benefits	**10,663**	11,056	**112,242**
Impairment of long-lived assets and depreciation in excess of tax limitation	**1,088**	1,045	**11,453**
Devaluation of investment securities	**1,024**	877	**10,779**
Software costs	**2,080**	2,343	**21,895**
Other	**4,536**	4,210	**47,747**
Less valuation allowance	**(34,925)**	(35,323)	**(367,632)**
	¥13,027	¥15,455	**$137,126**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥(14,659)**	¥(9,107)	**$(154,305)**
Deferred gains on sale of property	**(5,497)**	(4,114)	**(57,863)**
Land revaluation surplus	**(9,461)**	(10,815)	**(99,590)**
Intangible assets recognized in business combination	**(5,117)**	(5,339)	**(53,863)**
Other	**(4,028)**	(2,988)	**(42,400)**
	¥(38,762)	¥(32,363)	**$(408,021)**
Net deferred tax	**¥(25,735)**	¥(16,908)	**$(270,895)**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2013 and 2012 and the actual effective tax rates reflected in the accompanying consolidated statements of income was as follows:

	2013	2012
Normal effective statutory tax rate	**38.0%**	40.7%
Net changes in valuation allowance	**(10.2)**	(189.8)
Equity in earnings of affiliates	**(6.8)**	(0.5)
Cash dividends and other permanent differences	**0.2**	(18.4)
Lower income tax rates applicable to income in certain foreign countries	**(0.3)**	(11.6)
Amortization of goodwill	**12.0**	2.8
Effects of revised tax rate	**—**	54.5
Other	**4.4**	12.8
Actual effective tax rate	**37.3%**	(109.5)%

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

8. Leases

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

Total rental expenses for the years ended March 31, 2013 and 2012 were ¥639 million ($6,726 thousand) and ¥423 million, respectively, including ¥63 million ($663 thousand) and ¥277 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligation under finance leases, and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2013 and 2012 was as follows:

	(millions of yen)		(thousands of US dollars)
	2013	2012	**2013**
Acquisition cost	**¥631**	¥1,069	**$6,642**
Accumulated depreciation	**(585)**	(918)	**(6,157)**
Accumulated impairment loss	**(1)**	(13)	**(11)**
Net leased property	**¥45**	¥138	**$474**

	(millions of yen)		(thousands of US dollars)
	2013	2012	**2013**
Obligations under finance leases:			
Due within one year	**¥35**	¥88	**$369**
Due after one year	**10**	50	**105**
Total	**¥45**	¥138	**$474**

	(millions of yen)		(thousands of US dollars)
	2013	2012	**2013**
Depreciation expense under finance leases:			
Depreciation expense	**¥63**	¥272	**$663**

Depreciation expense, which is not reflected in the accompanying statements of income, is computed by the straight-line method.

9. Derivatives

The Group enters into foreign currency forward contracts and currency swap contracts to hedge exchange risk associated with certain assets and liabilities denominated in foreign currencies and also into interest rate swap contracts to manage its interest rate exposures on certain liabilities. Such contracts outstanding at March 31, 2013 and 2012 were as follows, however the contracts which qualify for hedge accounting are excluded from the following disclosure of market value information.

	(millions of yen)						(thousands of US dollars)		
	2013			2012			**2013**		
Not hedged:	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized loss	Contract amount	Fair value	Unrealized gain (loss)
Interest rate swaps:									
Fixed rate payments, floating rate receipt	**¥433**	**¥(16)**	**¥(16)**	¥389	¥(20)	¥(20)	**$4,558**	**$(168)**	**$(168)**
Foreign currency forward contracts:									
Sold	**¥1,040**	**¥(36)**	**¥(36)**	¥1,563	¥(57)	¥(57)	**$10,947**	**$(379)**	**$(379)**
Purchased	**¥945**	**¥(11)**	**¥(11)**	—	—	—	**$9,947**	**$(116)**	**$(116)**
Currency swap:									
Receive EUR · Pay JP¥	**¥456**	**¥2**	**¥2**	¥2,182	¥(272)	¥(272)	**$4,800**	**$21**	**$21**
Receive EUR · Pay US$	**¥183**	**¥(9)**	**¥(9)**	¥1,044	¥(32)	¥(32)	**$1,926**	**$(95)**	**$(95)**

10. Other Income (Expenses) — Other, Net

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

	(millions of yen)		(thousands of US dollars)
	2013	2012	**2013**
Gain on sale of property, plant and equipment	**¥2,191**	¥348	**$23,063**
Impairment of long-lived assets	**(384)**	(1,045)	**(4,042)**
Gain on sale of securities	**255**	670	**2,684**
Write-down of investment securities	**(328)**	(534)	**(3,453)**
Retirement benefits paid due to restructuring of business operations	**(1,093)**	(4,583)	**(11,505)**
Amortization of goodwill	**357**	400	**3,758**
Other, net	**39**	(686)	**411**
	¥1,037	¥(5,430)	**$10,916**

11. Commitments and Contingencies

Commitments for capital expenditures outstanding at March 31, 2013 and 2012 were in the approximate amounts of ¥2,258 million ($23,768 thousand) and ¥2,495 million, respectively.

12. Subsequent Events

(a) Year-end cash dividends

On May 10, 2013, the Board of Directors of Nisshinbo Holdings Inc. declared year-end cash dividends (¥7.5 per share) in the amounts of ¥1,310 million ($13,789 thousand).

(b) Stock option

At the general shareholders meeting held on June 27, 2013, 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, 2015 to July 31, 2020.

(c) Early extinguishment of debt

Consolidated subsidiary TMD Friction Finance S.A. made the early extinguishment of €97,060 thousand (¥804 million) in bonds (Interest rate: 10.8%) on May 30, 2013. The extinguishment amounts including the premium were €111,749 thousand (¥926 million).

13. Segment Information

Information about industry segments of the Company and its consolidated subsidiaries for the years ended March 31, 2013 and 2012 was as follows:

(millions of yen)

2013

	Textiles	Automobile Brakes	Papers	Precision Instruments	Chemicals	Electronics	Real Estate	Other Businesses	Eliminations/ Corporate	Consolidated
Sales and Segment Profit (loss):										
Sales to customers	¥50,773	¥118,849	¥30,524	¥24,520	¥8,150	¥175,308	¥15,367	¥27,202	¥—	¥450,693
Intersegment sales	27	166	708	862	485	113	2,570	2,259	(7,190)	—
Total sales	50,800	119,015	31,232	25,382	8,635	175,421	17,937	29,461	(7,190)	450,693
Segment profit (loss) [Operating income (loss)]	¥575	¥(4,302)	¥709	¥(146)	¥133	¥7,788	¥12,290	¥263	¥(3,916)	¥13,394
Segment assets:	¥44,703	¥139,592	¥22,178	¥26,092	¥7,965	¥197,358	¥49,608	¥27,633	¥36,804	¥551,933
Other:										
Depreciation and amortization	¥1,345	¥8,424	¥1,061	¥1,318	¥595	¥3,888	¥1,799	¥243	¥296	¥18,969
Increase in property, plant and equipment and intangible assets	¥615	¥11,043	¥293	¥1,673	¥354	¥4,942	¥1,016	¥681	¥(494)	¥20,123

(millions of yen)

2012

	Textiles	Automobile Brakes	Papers	Precision Instruments	Chemicals	Electronics	Real Estate	Other Businesses	Eliminations/ Corporate	Consolidated
Sales and Segment Profit (loss):										
Sales to customers	¥60,964	¥47,450	¥30,220	¥25,191	¥8,258	¥169,907	¥9,082	¥28,268	¥—	¥379,340
Intersegment sales	14	259	754	853	548	135	2,643	2,004	(7,210)	—
Total sales	60,978	47,709	30,974	26,044	8,806	170,042	11,725	30,272	(7,210)	379,340
Segment profit (loss) [Operating income (loss)]	¥840	¥4,254	¥260	¥(1,070)	¥374	¥(4,111)	¥6,743	¥651	¥(3,771)	¥4,170
Segment assets:	¥47,657	¥128,418	¥21,798	¥24,089	¥8,640	¥188,515	¥50,395	¥22,190	¥42,882	¥534,584
Other:										
Depreciation and amortization	¥1,060	¥2,669	¥1,102	¥1,104	¥711	¥5,387	¥1,826	¥109	¥582	¥14,550
Increase in property, plant and equipment and intangible assets	¥1,992	¥2,933	¥765	¥2,480	¥426	¥5,432	¥522	¥101	¥1,054	¥15,705

(thousands of US dollars)

2013

	Textiles	Automobile Brakes	Papers	Precision Instruments	Chemicals	Electronics	Real Estate	Other Businesses	Eliminations/ Corporate	Consolidated
Sales and Segment Profit (loss):										
Sales to customers	$534,453	$1,251,042	$321,305	$258,105	$85,790	$1,845,347	$161,758	$286,337	$—	$4,744,137
Intersegment sales	284	1,747	7,453	9,074	5,105	1,189	27,053	23,779	(75,684)	—
Total sales	534,737	1,252,789	328,758	267,179	90,895	1,846,536	188,811	310,116	(75,684)	4,744,137
Segment profit (loss) [Operating income (loss)]	$6,053	$(45,284)	$7,463	$(1,537)	$1,400	$81,979	$129,368	$2,768	$(41,221)	$140,989
Segment assets:	$470,558	$1,469,389	$233,453	$274,653	$83,842	$2,077,453	$522,189	$290,874	$387,410	$5,809,821
Other:										
Depreciation and amortization	$14,158	$88,674	$11,168	$13,874	$6,263	$40,926	$18,937	$2,558	$3,116	$199,674
Increase in property, plant and equipment and intangible assets	$6,474	$116,242	$3,084	$17,611	$3,726	$52,021	$10,695	$7,168	$(5,200)	$211,821

Independent Auditors' Report

To the Board of Directors of Nisshinbo Holdings Inc.

We have audited the accompanying consolidated financial statements of Nisshinbo Holdings Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its consolidated subsidiaries as at March 31, 2013, and their financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience translations

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1 to the consolidated financial statements.

Veritas & Co.

VERITAS & Co.

June 27, 2013

Tokyo, Japan

History

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

Corporate Data

(As of March 31, 2013)

Founded

February 5, 1907

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Tel: +81-6-6267-5501
Fax: +81-6-6267-5529

Nagoya Branch

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

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

Employees

Parent Company	231
Subsidiaries	21,852
Total	22,083

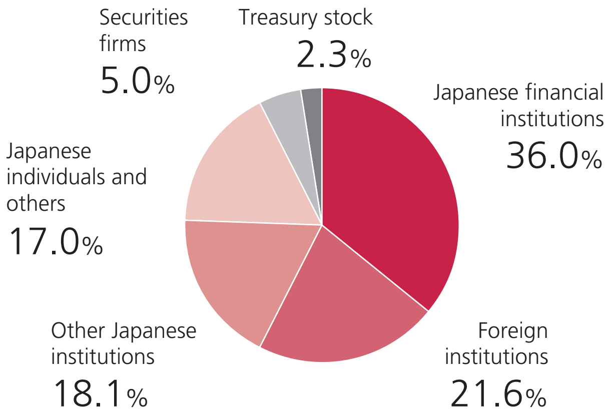
Common Stock

Authorized	371,755,000 shares
Issued	178,798,939 shares
	¥27,588 million (US$290 million)

Shareholders

14,234

Composition of Shareholders



Listings

Tokyo, Osaka, Nagoya, Fukuoka and Sapporo

Transfer Agent

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

Stock Price and Trading Volume