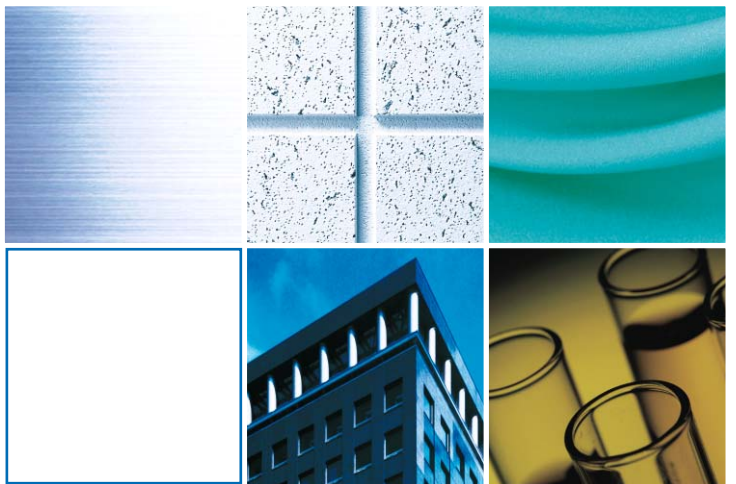


Nittobo

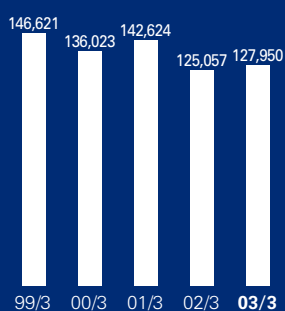
Annual Report 2003 | Year ended March 31, 2003



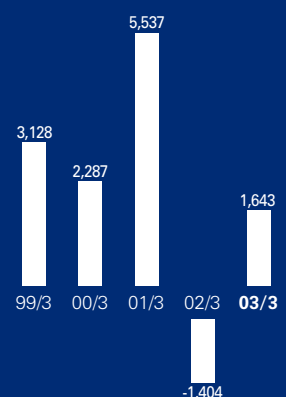
Since its establishment as a spinning company in 1923, Nitto Boseki Co., Ltd. has continued to address the challenges of an ever-changing society. Driven by an unwavering pioneer spirit, the Nittobo Group has expanded into diverse activities, including glass fiber, building materials, real estate, and service operations. Today, over 80% of Nittobo's activities comprise non-traditional textile businesses.

Underpinned by its corporate mission, to help build a healthier and more comfortable living environment, the Nittobo Group is dedicated to responding flexibly to customer requirements and changes in society, while maintaining sustained growth and development.

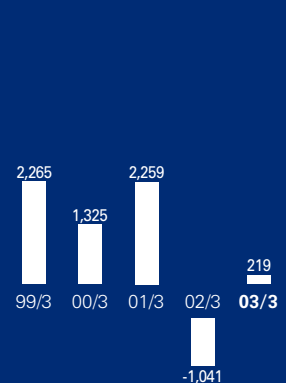
Consolidated Net sales (Millions of Yen)



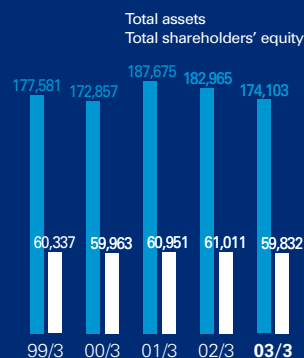
Consolidated Operating income (loss) (Millions of Yen)



Consolidated Net income (loss) (Millions of Yen)



Consolidated Total assets/ Total shareholders' equity (Millions of Yen)



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FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements concerning the Company's business plans, strategies, and performance based on information available to management at the time of disclosure. Accordingly, readers are advised that actual results may differ from forward-looking statements for a variety of factors.

AN INTERVIEW WITH THE PRESIDENT



**Returning to basic manufacturing principles,
we will strive for consistent development and growth,
underpinned by the trust of all stakeholders.**

Atsuhiko Sagara
President



We are working to establish stable businesses by making full use of our world-class glass fiber manufacturing technologies, and at the same time to further enhance activities by developing new products and applications in building materials, and specializing in high-value-added textiles.

Q Please give us an overview of the Nittobo Group's consolidated performance for the fiscal year under review.

A In fiscal 2003, the year ended March 31, 2003, our operating environment was characterized by prolonged deflation and continued uncertainty regarding future conditions. Despite an overall difficult environment, consolidated sales totaled ¥127,950 million (\$1,064,479 thousand), an increase of 2.3% compared with the previous fiscal year. On the earnings front, we achieved a turnaround from the previous fiscal year's losses, recording operating income of ¥1,643 million (\$13,665 thousand) and net income of ¥219 million (\$1,819 thousand).

By industry segment, the Glass Fiber Products Division was enveloped by persistent harsh operating conditions. IT-related demand remained stagnant, with little sign of a full-fledged recovery, and the industry continued to experience a dramatic increase in production capacity in China and other overseas locations. Despite this difficult environment, sales in this segment climbed 14.3% year on year, to ¥42,297 million (\$351,888 thousand). At the same time, we significantly narrowed our operating loss, to ¥67 million (\$560 thousand) from ¥1,668 million in the previous fiscal year.

We continued to face severe operating conditions in the Building Materials Division as well. Sales fell 5.6% to ¥49,281 million (\$409,988 thousand). We were able to post operating income of ¥595 million (\$4,950 thousand), however, marking our first profit in this segment in five years, reflecting the fruits of rationalization efforts.

Despite an overall increase in revenue and earnings in the Textiles Division, results for individual product categories were mixed. Sales of C·S·Y®'s mainstay textile were battered by intensified competition accompanying the rush of new entrants into the market. Income

from interlinings improved, however, buoyed by efforts to bolster the business activities of our Nittobo (China) Co., Ltd. subsidiary and the acquisition of Nippon Haskell Co., Ltd. Overall, sales in this segment edged up 1.0% to ¥17,546 million (\$145,977 thousand), while operating income jumped to ¥35 million (\$289 thousand).

Q The Glass Fiber Products Division is characterized by significant swings in performance. What do you see as the issues facing this segment, and what measures do you propose to improve earnings?

A In 2002, global glass fiber production was estimated at between 2.5 and 2.6 million tons per year. Of this total, approximately 90% was used for fiber reinforced plastic (FRP) application, with the remaining portion going into products for the electronics and IT-related industries. Glass fiber yarn used in the electronics industry is generally of the continuous type, and is used in fabric as the basic material in the manufacture of laminates for printed circuit boards, where a high level of precision is required. Nittobo leads the industry in manufacturing technology for glass fiber yarn and fabric. Focusing on IT-related industries, this category currently generates close to 40% of segment sales. As a result, sales of glass fiber yarn and fabric are inextricably linked to the fortunes of IT-related activities. During the boom periods of the past, this product category recorded annual operating income of between ¥4 and ¥5 billion. On the other hand, since the collapse of the IT bubble we have experienced a significant downturn in operating activities. As earnings from FRP applications have been unable to offset IT-related declines, the Company has reported operating losses for this segment. Our highest priority, therefore, is to establish a balance between periods of boom and bust.

In an effort to ensure greater stability in the Glass Fiber Products

Consolidated Financial Highlights

For the years ended March 31:	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Net sales	¥127,950	¥125,057	\$1,064,479
Operating income (loss)	1,643	(1,404)	13,665
Income (loss) before income taxes, minority interests and equity in earnings of affiliates	2,149	(1,180)	17,879
Net income (loss)	219	(1,041)	1,819
Total assets	174,103	182,965	1,448,443
Total shareholders' equity	59,832	61,011	497,771
Per share data:			
Net income (loss) (Yen/Dollars)	¥ 0.88	¥ (4.20)	\$ 0.007
Cash dividend (Yen/Dollars)	3.00	3.00	0.025
Shareholders' equity ratio (%)	34.4	33.3	
Return on equity (%)	0.4	(1.7)	

Notes: 1. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥120.20=US\$1.
2. The computation of net income (loss) per share is based on the average number of issued shares (excluding treasury stock).

Division and to promote more resilient earnings, we have identified a number of areas for attention. First, we will continue to expand our overwhelming domestic share of the FRP market. At the same time, we will target the electronics industry, working to increase market share through superior quality and know-how in glass fiber yarn and fabric. We will also focus on our fiber reinforced thermo plastic (FRTP) business, which has to date accounted for only a small portion of this segment. FRTP is used extensively in automobile components and electric appliances, areas that have recently registered 6% to 7% annual growth.

Moreover, we will look to increase our profile in overseas markets in glass fiber yarn and fabric. We also hope to improve our cost structure by consolidating production of general-purpose, low count yarn in Taiwan and thick fabric in Macao, while concentrating manufacture of high-value-added, fine count yarn and lightweight fabric, which requires advanced technology and expertise, in Japan. Nittobo is committed to becoming a trusted manufacturer, striving for unrivalled product quality and optimum balance in price and supply. At a time when expectations rise at an accelerated pace, we will adopt a back-to-basics ethos in our research and development and redouble efforts to address market demand with the aim of establishing a stable earnings platform by the end of fiscal 2005.

Q Please give us your thoughts on raising profitability in the Building Materials Division.

A Rock wool technology underpins Nittobo's Building Materials Division. Rock wool constitutes only a minor portion of the building materials industry, however, and we have at times suffered from a preoccupation with this niche market. In the 1960's, when Japan experienced a boom in the construction of office buildings, we secured a 70% share of the domestic market for rock wool ceiling

panels, a mainstay product. Since the collapse of the bubble economy, however, with an oversupply of office buildings, growth in this segment has stalled compared with our competitors, reflecting the Company's inability to keep pace with new product development and applications in the building materials business.

Despite these trends, the Building Materials Division saw a return to profit in fiscal 2002, spurred by improved productivity and the impact of rationalization initiatives. With progress made in new product development and applications, we view this segment as a viable source of income.

Traditionally, we have advanced operations in this segment by focusing on the domestic market. In the future, however, we look forward to expanding this business overseas. In particular, we have high expectations in China, which is experiencing strong economic growth. After considerable effort, Nittobo has finally gained a foothold in the Chinese office building and residential markets and is currently building a network of sales agents in China in an effort to promote this business further.

Another issue we face is in the development of innovative, highly functional products and applications in a timely fashion to meet the challenges posed by developing nations, distinguished by their rapid growth.

Nittobo will continue to build on the measures implemented during fiscal 2003 to reduce costs through improved productivity. The Company also will focus on sales of new growth products such as "Firelock SuperFoam" (a highly functional heat insulation phenolic material) and aluminum roofs, increasing construction orders for the removal of dioxin and asbestos, and export activities.



Q What prospects do you see for the Textiles Division?

A I am often reminded by investors about the precarious position of Japan's textile industry. Historically, Japan was a major production base for textiles. However, the industry has undergone considerable transformation with the onset of liberalization and efforts to promote free trade. Today, imports account for nearly 80% of all textiles in Japan. The import penetration ratio is close to 100% for cotton and wool fabric, and approximately 60% for synthetic fabric. With the influx of medium- and low-grade products from Indonesia, Pakistan, India, China, and Korea, Japan's textile industry has contracted. Nittobo has felt the repercussions of this barrage of imports. Forced to cut back operations at our cotton spinning plant, we have concentrated on higher-value-added products.

Currently, our Textiles Division focuses on C·S·Y® and interlining cloth. Amid declining demand for textiles in Japan, we are pursuing a global business strategy based on these products. Together with an increasing export ratio, we anticipate growth in this segment. China in particular, which has shown strong demand for mass-produced products is attracting greater attention as a market for high-value-added products in line with the increase in personal incomes.

Nittobo's strategy, therefore, is to adopt a global focus in niche markets, to take full advantage in those areas where our superior technical expertise provides a barrier to competitor entry, and to optimize production capacity of limited facilities. To this end, we must further strengthen our focus as a development-oriented company and develop innovative products based on our accumulated know-how.

I believe results in this segment have bottomed out and that we will experience a period of steady growth going forward. The Textiles Division returned to the black in fiscal 2002 and continued to build on this platform in the fiscal year under review.

Q Please give us your views on the challenges presently facing Nittobo's management.

A Based on initiatives that serve to refocus our activities and business, I believe that Nittobo, as a lean and agile company, is well placed to embark on a new era. By strictly adhering to four fundamental principles we will gain the trust of our customers and continue to enjoy development and growth. Those principles are: providing quality products that lead the market; ensuring efficient productivity that is resilient to price competition; developing innovative products one step ahead of consumer needs; and maintaining stable supply.

Nittobo will continue to focus on its traditional businesses in textiles, building materials, and glass fiber products. Based on the technical expertise accumulated through these operations, we will work to cultivate enhanced products, such as diagnostic agents, functional polymer materials, polyethylene terephthalate (PET) bottled beverages, and others, in an effort to generate stable profits. Although these businesses do not currently represent a major earnings pillar, I am convinced that we will quickly cultivate new businesses that will provide additional sources of stable income. Based on a strong financial platform, Nittobo is well placed to undertake new business promotion.

Maintaining our original philosophy, based on the fundamental manufacturing principles I have identified, we will strive for steady growth, delivering increasing returns to shareholders and all stakeholders.

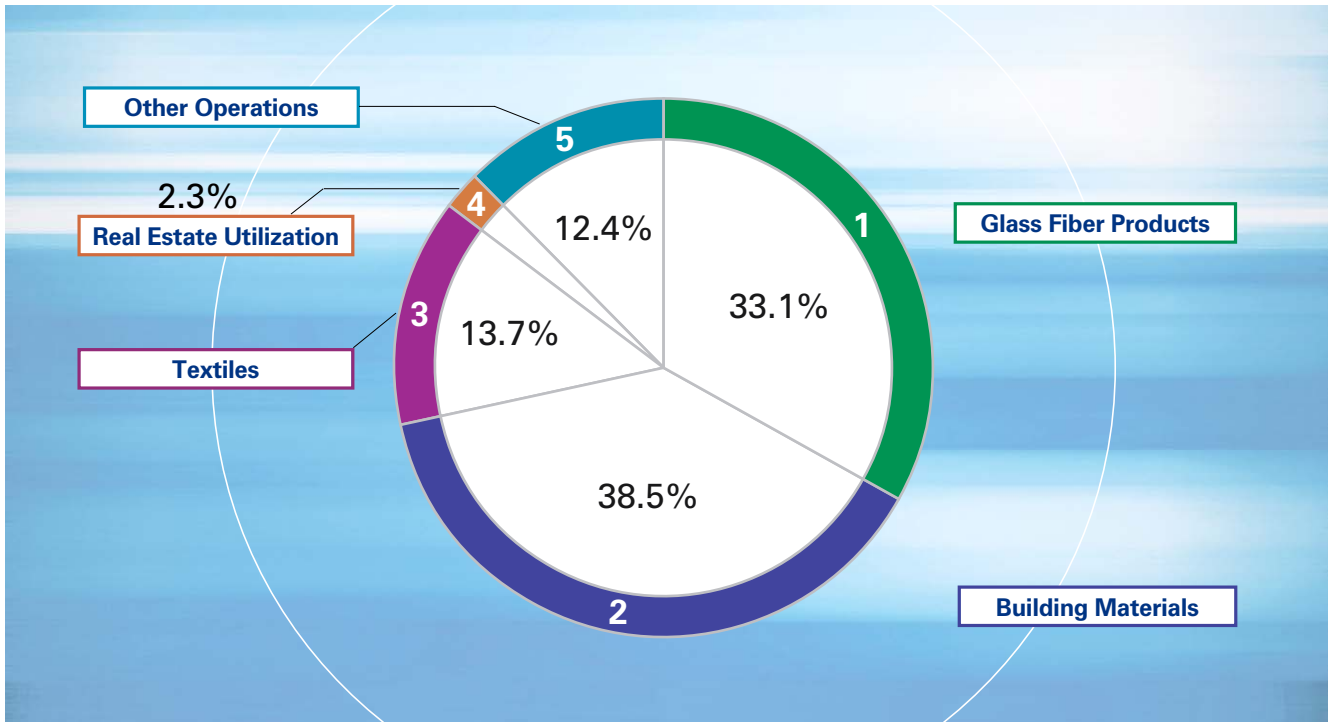
I hope that readers of this report will gain a deeper understanding of Nittobo, and I thank you for your continued support.

October 2003

Atsuhiko Sagara
President

OUR BUSINESS AT A GLANCE

Net sales by segment (consolidated)

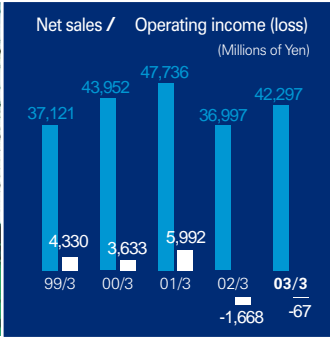


Major products by segment

1	2	3	4	5
<p>Glass Fiber Products Division</p> <ul style="list-style-type: none"> • Glass fiber for FRP and FRTP • Tensile strength glass • Glass yarn • Glass fabric 	<p>Building Materials Division</p> <ul style="list-style-type: none"> • Noncombustible rock wool ceiling panels • Floor panels • FRP panels • Thermal insulation, acoustic and noncombustible materials • Aluminum roof materials • External thermal insulation system 	<p>Textiles Division</p> <ul style="list-style-type: none"> • Yarn (C•S•Y®) • Textiles • Interlining and other garments accessories • Dishcloth by Nittobo 	<p>Real Estate Utilization Division</p> <ul style="list-style-type: none"> • Sports facilities business • Real estate operations 	<p>Other Operations</p> <ul style="list-style-type: none"> • Medical Operations <ul style="list-style-type: none"> > Clinical diagnostic reagents in: <ul style="list-style-type: none"> biochemistry hematology immunology • Specialty Chemicals Operations <ul style="list-style-type: none"> > Dye fixative > Papermaking additives > Metal surface agents > Additives for ink jet paper • Engineering <ul style="list-style-type: none"> > Noise control engineering > Noise abatement > Wastewater treatment facilities



Hiroshi Suzuki
 Head of Glass Fiber Products Division
 Managing Director and Representative Director



Overview

Drawing on its proprietary technology, Nittobo succeeded in the commercial production of glass fiber in 1938. Since then, the glass fiber business has evolved into a major earnings pillar and has served as the main thrust of Nittobo’s strategy for diversifying into nontextile industries. Nittobo is one of the few companies in the world with a comprehensive system that encompasses glass fiber manufacturing and weaving, and the development of composite glass fiber materials. Our technique and expertise in fine-spun continuous glass fiber yarn are unsurpassed in the industry and are attracting considerable expectation in the field of cutting-edge technology.

Glass Fiber Products Division

Operating Results

Shipments of glass fiber and fabric for printed circuit boards were boosted by resurgence, from February 2002, in domestic and overseas IT-related demand. Conditions failed to reach a full-fledged recovery, however, as demand began to shrink from July.

Revenues from glass fiber used in household appliances and automobiles rose due to increased domestic and overseas sales. In industrial materials, Color Cloth, a mainstay product for residences and other buildings, had higher sales. New products such as “VERRE SCREEN” and “LIGHT SHADE” also performed well, buoyed by strong demand from large-scale metropolitan redevelopment projects.

As a result, sales in this segment climbed 14.3% to ¥42,297 million (US\$351,888 thousand), while the operating loss narrowed significantly to ¥67 million (US\$560 thousand).

Business Strategy

In the fiscal year under review, Nittobo formulated its new medium-term management plan with the aim of reducing costs over a three-year period by 30%, compared with fiscal 2000. To achieve its goal, the Company will pursue a number of initiatives in the Glass Fiber Products Division, including process innovation, the introduction of new manufacturing facilities with the aim of streamlining existing production processes, a review of raw materials used, and the upgrade of operating capacity.

Nittobo recognizes that superior product quality and competitive costs are a must if it is to compete successfully with major overseas manufacturers and to combat the increasing presence of rivals from Taiwan and China. In particular, we are establishing a manufacturing system in which production is geared toward specific markets. Production of high-value-added electronics-related yarn and fabric is conducted in Japan, while general-purpose products are manufactured in overseas locations such as Taiwan and Macao, where fixed costs remain low.

Efforts to bolster our activities in electronics-related yarn and fabric are also geared toward risk diversification. We are working to reduce our reliance on IT-related demand, characterized by its volatility, in an effort to create a more stable platform and to eliminate periodic swings between profit and loss.

Accordingly, Nittobo will embark on a balanced business strategy with the aim of establishing an operating platform capable of generating stable earnings. We will focus on efforts to reinforce existing operations in fiber reinforced plastic (FRP) and electronics-related yarn and fabric, pursue global markets of high growth potential such as lightweight automobiles and high technology, capitalize on the high demand for fiber reinforced thermo plastic (FRTP), and strengthen operations in new areas such as materials and products for industrial use.

Operating Results

In thermal insulation and sound absorption materials, strong gains were made in rock wool for almost all fields covering interior, industrial, and residential use. Accordingly, overall sales in this product category remained level with fiscal 2002 figures despite withdrawal from rock wool spray fire-proofing work. Sales of glass wool fell, reflecting lower volume for residential and nonresidential use and a drop in sales prices. Despite improvement in some categories of interior decorating materials due to a review of ceiling panel prices, an increase in overseas sales, and a strong performance in floor panels for convenience stores and pharmacies, overall sales of building-related materials were down, owing to a decrease in the key area of nonresidential construction starts.

In external building materials, sales of FRP "UP ROOF" panels for roof reconstruction, and steel pipe sheet pile covers were strong. At the same time, sales of high-growth potential external thermal insulation systems and the new aluminum roof material "ALAPIA" grew steadily.

After accounting for all these factors, and partly due to the transfer of our melamine decorative panel business in Autumn 2002, sales in this segment fell 5.6% to ¥49,281 million (US\$409,988 thousand). We were able to post operating income of ¥595 million (US\$4,950 thousand), however, marking our first profit in this segment in five years, reflecting cuts in logistics and raw material and production costs.

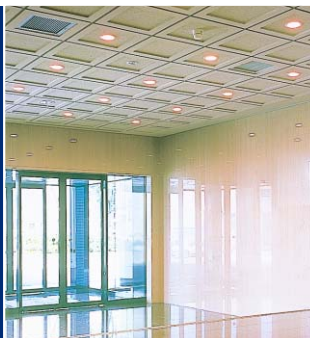
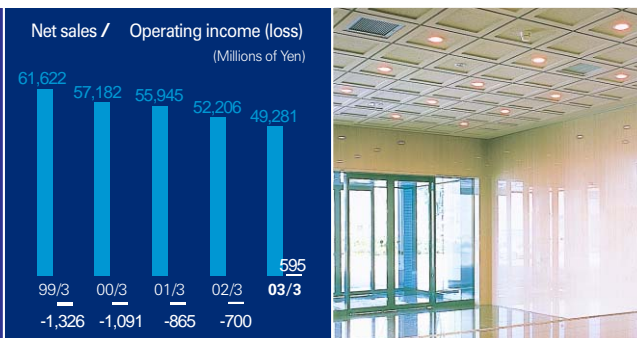
Business Strategy

Our organizational strategies to improve earnings in the Building Materials Division are grounded in efforts to reinforce existing operations and to create new businesses.

Amid the drop in demand for office building materials, an area in which Nittobo excels, and thermal insulation materials for the housing sector, the Company has taken steps to improve its existing business structure. We established Nittobo Materials Co., Ltd. in 1999 with the aim of enhancing marketing efforts in interior decorating materials. In addition, we have moved to lower production costs, improve operating efficiency by introducing Total Productive Maintenance (TPM), cut costs and review the Company's use of raw materials by improving the manufacturing process, and curtail plant logistics. By these means, we plan to cut year-on-year costs by ¥500 million.

As a development-oriented company, we are also focusing on the creation of new products and businesses based on the principles of restoration, renewal, and recycling to improve the environment in which we live. Nittobo is pursuing activities in new environmentally friendly product development and recycling based on its expertise in fusion technology.

In the fiscal year under review, we worked diligently to promote business in overseas markets. Beginning with materials for office buildings, we established a sales network in China, where construction demand remains robust. Based on technical know-how accumulated over 20 years in collaboration with various building material manufacturers and trading companies, Nittobo is looking to significantly expand sales. In the area of ceiling panels, we have set a target to raise the ratio of exports to total sales from 10% to 20% over the next two years.



Overview

Nittobo was the first industrial producer of rock wool in Japan, commencing commercial activities in 1938. While rock wool forms the nucleus of the Company's building materials business, Nittobo is also active in the development of a variety of other materials, including glass wool and phenolic resin foam used in insulation and acoustic paneling. In addition, we boast a lineup of environmentally conscious products, including such interior decorating materials as noncombustible rock wool ceiling panels and a variety of floor panels, and such external building materials as FRP panels and aluminum roof materials, to enhance comfort and convenience in every facet of daily life.



Sueo Mizuyoshi

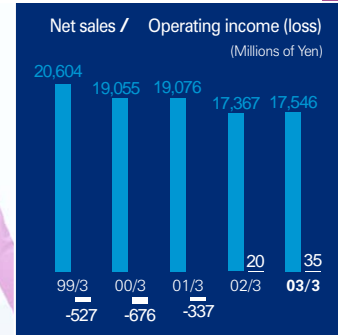
Head of Building Materials Division
Managing Director and Representative Director

Building Materials Division



Overview

The Textiles Division has occupied a key position in Nittobo's business activities since the Company's founding. Nittobo is active in all facets of the textile industry, from the manufacture of spun yarn to apparel, and is renowned for its technical know-how, design, and the development of high-value-added, functional materials. We are committed to developing products that match the needs of the market and currently boast a core product lineup that includes stretch fabric Core Spun Yarn (C•S•Y®), cloth, and apparel interlinings.



Katsumi Minamizono

Head of Textiles Division
Managing Director and Representative Director

Textiles Division

Operating Results

As C•S•Y® has become more commonplace and imports continue to flood the market, demand has fallen dramatically. This phenomenon, which was particularly evident in the first half of the fiscal year under review, has had a negative impact on textile sales. Despite some positive activity in the second half due to a recovery in textile exports to the U.S. and the introduction of new synthetic products to the market, overall domestic demand remained weak, driving down sales.

Sales of apparel were strong, despite the drop in domestic demand coupled with the continued shift in apparel production overseas. Results were boosted by the Company's focus on profitable products, expanded sales of highly functional new products, contributions from our China-based subsidiary, Nittobo (China) Co., Ltd., and the inclusion of Nippon Haskell Co., Ltd. in the scope of consolidation following the acquisition of shares.

As a result of these initiatives, sales in the Textiles Division edged up 1.0% to ¥17,546 million (US\$145,977 thousand). Operating income increased to ¥35 million (US\$289 thousand), owing to cuts in apparel material costs.

Business Strategy

Despite measures to reform the Textiles Division, including the withdrawal from the rayon staple fiber business, a scaling down of activities in cotton spinning, and a focus on C•S•Y® and interlining, in which the Company excels and leads the market, we have yet to establish a stable earnings platform. Our key priority, therefore, is to raise profitability in each category, including the activities of affiliates, not only in Japan but also overseas.

Our efforts to rationalize and increase efficiency can only go so far to combat the drop in C•S•Y® demand as such products become more commonplace and price competition from overseas intensifies. The key to a C•S•Y® revival will hinge on our ability to create a new profit source by accelerating the development of superior proprietary products and new sales channels based on a "unified yarn and textile platform."

The domestic market for interlining continues to shrink, with intensified competition and a marked drop in prices of general-purpose items. There is also an increasing tendency to focus on price alone, with product functionality and service not factored into the consumer's decision to purchase. Moreover, the dependence by Japanese apparel manufacturers on production in China is increasing, with cost competition becoming increasingly intense.

Under difficult operating conditions, we will work to leverage our collaboration with Nippon Haskell to improve earnings. We will also place greater emphasis on regional autonomy, as well as the Company's reliance on exports. Under this strategy, our overseas company Nittobo (China) will be allowed to focus on maximizing production geared toward expanding sales within its own country, and our operations in Japan will be allowed to do the same within their own boundaries.

Real Estate Utilization Division

Overview

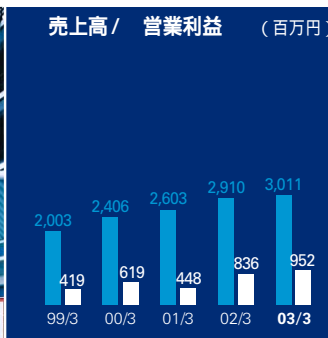
The Real Estate Utilization Division leases space in the Nittobo Building, an "intelligent" building in the Yaesu business district in Tokyo. We also offer retail space in commercial facilities, including a mall operated in Koriyama. In the sports facilities business, Nittobo takes full advantage of its property portfolio. We opened a golf driving range, Atago Golf Garden, on the grounds of our former Shizuoka Plant, as well as Renaissance Fukushima a comprehensive sports club on the site of our Fukushima Plant. This segment also includes our services operations, through which we provide nonlife and life insurance agency services.

Operating Results

Despite low consumer spending, the sports facilities business remained steady due to good customer prioritization measures. In addition, office buildings are operating at close to full occupancy, and The Mall Koriyama, a shopping center, contributed to revenues from commercial facilities.

Sales in this segment rose 3.5% to ¥3,011 million (US\$25,052 thousand), with an increase in operating income to ¥952 million.

Following the closure of the commercial rental facility Suzuka Saty, Nittobo is investigating future tenants and examining this facility's use.



Other Operations

Overview

In medical operations, Nittobo develops clinical diagnostic reagents in three fields: biochemistry, hematology, and immunology, with the aim of delivering products that contribute to the medical sector in up-to-date fields. Our specialty chemicals operations have developed numerous original polymer materials with specialist technologies. The Company is active in application research and maintains a top share in "DANFIX", a dye fixative. Nittobo's engineering operations develop new businesses in the field of environmental engineering, such as sound suppression for civil engineering, based on know-how accumulated over many years. This segment also includes businesses in the fields of food and beverages.

Operating Results

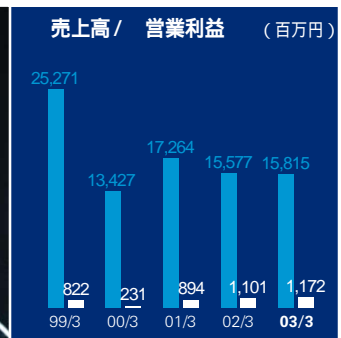
In the Medical Division, revenue in Japan in the clinical diagnostic reagents business fell despite efforts to expand sales, reflecting government measures to curtail medical expenditure and increased competition. Sales overseas however, increased impacting favorably on revenue.

The specialty chemicals operations saw increased sales of functional polymers. Strong sales of products used for the treatment of paper and growth in sales of dye fixatives overseas were sufficient to offset a drop in the dye processing industry in Japan.

Sales declined in the engineering operations, particularly for highway sound suppression, reflecting the cutback in public works projects.

Meanwhile, sales in the PET-bottled beverage business were strong.

As a result of all these factors, sales in this segment edged up 1.5% to ¥15,815 million (US\$131,574 thousand), with an increase in operating income to ¥1,172 million (US\$9,754 thousand).



Strategies and Trends in the Market for Glass Fiber Products

Nittobo is the largest producer of glass fiber in Japan and ranks fourth in production capacity in the world. The electrical insulation, chemical corrosion resistance, tensile strength, and high heat resistance properties of glass fiber have enabled us to develop many products using this material. A number of composite materials have been made from glass fiber also, such as the fiber reinforced plastic (FRP) used in a wide variety of household products, such as bathtubs and septic tanks, as well as in agricultural sewage pipes, fishing vessels and motorboats; the fiber reinforced thermo plastic (FRTP) used extensively in automobiles and personal computer components; and the yarn and fabric used in electronics-related fields, including printed circuit boards.

Overall global demand for glass fiber is growing at between 4% and 5% annually. Annual growth rates differ depending on application type, with FRP at 2% to 3%, FRTP at 6% to 7%, and yarn for application in electronics-related fields growing at a steady 7%.

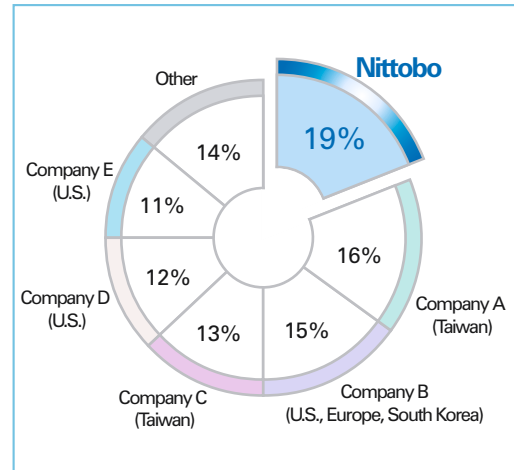
Overseas manufacturers, particularly in Taiwan, have taken a large share of the market for general-purpose yarn and fabric used in products such as printed circuit boards, traditionally a core business for the Company. Focusing on Japan alone, the market now is shared almost equally between locally produced materials and imports.

In high-value-added products, however, Nittobo maintains a significant competitive advantage over its overseas rivals based on its unsurpassed technology and expertise. We boast a leading share in Japan and are leveraging our domestic capabilities to secure a major share of global markets as the world's largest producer overall. We are particularly strong in IT-related high-quality products, principally fine count yarn for thin fabric application.

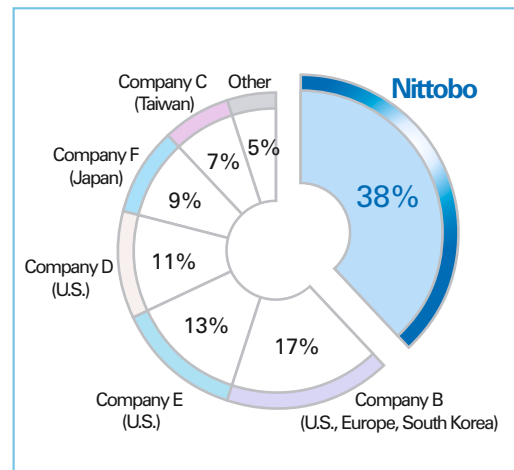
In the future, Nittobo will continue to expand sales and to distinguish itself from its rivals through the successive launch of high-value-added products. We will work to develop fabric for application in semiconductor packages and laser processing equipment, as well as composite materials incorporating yarn to produce 20 to 30 μ ultra-thin fabric.

In addition, we will clarify the role of each production facility with the aim of raising our cost competitiveness through a structured policy of expansion and concentration. Specifically, we will concentrate the manufacture of general-purpose products overseas (yarn at Taiwan-based NITTOBO ASCO Glass Fiber Co., Ltd., and cloth at Nittobo Macau Glass Weaving Co., Ltd.). In Japan, we will focus our attention on the manufacture of high-quality and highly functional products, with fine count yarn produced at Nitto Glass Fiber Manufacturing Co., Ltd. and thin fabric at our Fukushima Factory.

**Glass fiber yarn
global market share - all products (2002)***



**Glass fiber fine count yarn
global market share (2002)***



* Data: Nittobo estimates

■ Development of Glass Fiber Applications

Glass fiber can be used in a number of applications because of its diverse properties. Recently, it has been used in floor panels and as a reinforcing material in tunnel casings to prevent concrete peeling. The newly released acid-resistant glass (NCR) is used in the repair and upgrade of sewage anticorrosion pipes.

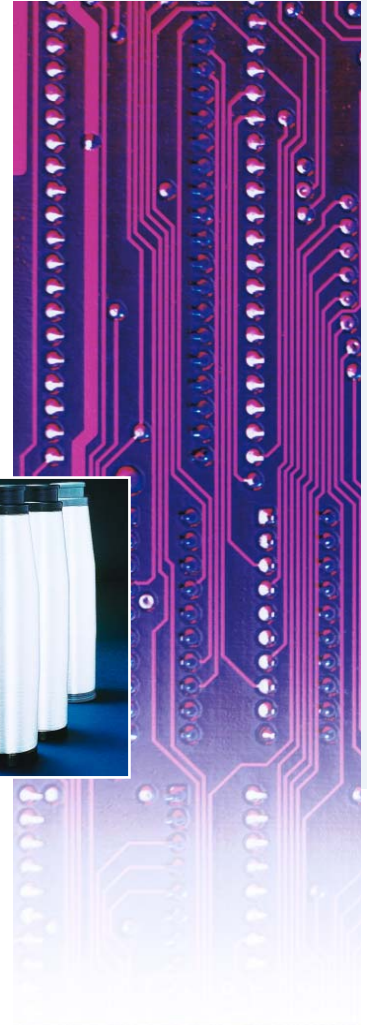
Nittobo has also experienced growth through new product applications in building materials. "LIGHT SHADE" is a light covering glass fiber fabric that creates an ambiance of luxury and class. "VERRE SCREEN" is a relatively soft curtain material that is used to block direct light. It is being used at a number of locations including the ceiling curtain which lines Tokyo Dome, a major sports and recreation facility in Tokyo. These new products are representative of developments in building materials application and have created new opportunities in large-scale building construction in major metropolitan cities.

Nittobo will work to consolidate its manufacturing, sales, and R&D operations with the aim of developing new applications. Application of glass fiber in industrial-use materials in Japan still lags behind that of the U.S. and Europe. In the domestic market, we are anticipating growth in civil engineering materials such as anticorrosion composite materials for reinforced concrete and anchor bolt, lightweight components used in the automobile sector, and FRP blades used in windpower generation facilities.

The opportunity to develop new applications in industrial-use materials in Japan remains high. Nittobo is committed to meeting the needs of consumers and to adopting a forward-looking mindset drawing on its accumulated knowledge and experience.



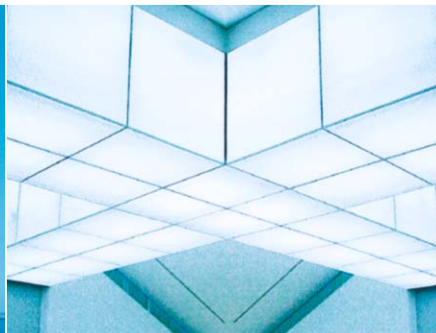
Glass fiber (yarn)



FRP blades for windpower generation facilities



LIGHT SHADE



Artificial marble bathtub



DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS



Yoshitada Shiratori
(Managing Director)

Hiroshi Suzuki
(Managing Director)

Atsuhiko Sagara
(President)

Sueo Mizuyoshi
(Managing Director)

Katsumi Minamizono
(Managing Director)

Toru Dohgakinai
(Managing Director)

Directors & Executive Officers

President	Atsuhiko Sagara*
Managing Director	Sueo Mizuyoshi*
Managing Director	Hiroshi Suzuki*
Managing Director	Katsumi Minamizono*
Managing Director	Yoshitada Shiratori
Managing Director	Toru Dohgakinai
Director	Sakae Yamazaki
Director	Tadanori Kitamura

Corporate Auditors

Hideo Kanatani
Koji Otsuka
Toshiaki Ando**
Hiroshi Nakamura**

Executive Officers

Yukio Takano
Hirohiko Morimoto
Masanori Koyama
Hiroaki Wada
Katsuhiro Katayama
Kouzou Suzuki

*Representative Director
**External Corporate Auditor

CONSOLIDATED SIX-YEAR SUMMARY

Nitto Boseki Co., Ltd., and Consolidated Subsidiaries

	Millions of yen						Thousands of U.S. dollars
	2003	2002	2001	2000	1999	1998	2003
For the years ended March 31:							
Net sales	¥127,950	¥125,057	¥142,624	¥136,023	¥146,621	¥158,593	\$1,064,479
Cost of goods sold	101,805	100,967	110,828	107,266	115,647	121,500	846,968
Selling, general and administrative expenses	24,502	25,494	26,259	26,470	27,846	29,006	203,846
Operating income (loss)	1,643	(1,404)	5,537	2,287	3,128	8,087	13,665
Income (loss) before income taxes, minority interests and equity in earnings of affiliates	2,149	(1,180)	3,439	2,210	3,308	4,746	17,879
Income taxes	2,003	440	1,846	1,413	1,929	2,315	16,664
Net income (loss)	219	(1,041)	2,259	1,325	2,265	2,908	1,819
Total assets	174,103	182,965	187,675	172,857	177,581	170,520	1,448,443
Total shareholders' equity	59,832	61,011	60,951	59,963	60,337	58,402	497,771
Capital expenditure	2,773	7,473	14,861	5,049	12,881	6,321	23,059
Depreciation expenses	7,496	7,864	7,061	6,690	6,651	5,933	62,362
Per share data:							
Net income (loss) (Yen/Dollars)	¥ 0.88	¥ (4.20)	¥ 9.12	¥ 5.35	¥ 9.15	¥ 11.74	\$ 0.007
Cash dividend (Yen/Dollars)	3.00	3.00	3.00	3.00	3.00	3.00	0.025
Shareholders' equity ratio (%)	34.4	33.3	32.5	34.7	34.0	34.2	
Return on equity (%)	0.4	(1.7)	3.7	2.2	3.7	5.0	

Notes: 1. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥120.20=US\$1.

2. The computation of net income (loss) per share is based on the average number of issued shares (excluding treasury stock).

CONSOLIDATED FINANCIAL REVIEW

SCOPE OF CONSOLIDATION

The accompanying consolidated financial statements have been prepared from accounting records maintained by Nitto Boseki Co., Ltd. (Nittobo), 27 consolidated subsidiaries, and two affiliates accounted for by the equity method.

NET SALES

The operating environment during fiscal 2003, the year ended March 31, 2003, was characterized by fluctuating conditions. The Japanese economy experienced a modest increase in the first half, benefiting from a U.S.-led recovery and a pickup in export activity to the U.S. and Asia. Conditions faltered in the second half, however, buffeted by the weight of non-performing loans, prolonged deflation, and a slump in private-sector capital investment and personal consumption. The domestic economy was shrouded in increasing uncertainty by the end of the fiscal year under review, exacerbated by the outbreak of war in Iraq and a dramatic drop in stock prices. Against this backdrop, consolidated net sales of the Nittobo Group increased 2.3% to ¥127,950 million (US\$1,064,479 thousand) from ¥125,057 million in the previous fiscal year.

OPERATING EXPENSES, OPERATING INCOME

Gross profit rose 8.5% to ¥26,145 million (US\$217,511 thousand) from ¥24,090 million in fiscal 2002, and the gross profit margin increased 1.1 percentage points to 20.4%. The ratio of selling, general and administrative (SG&A) expenses to net sales was lowered 1.3 percentage points to 19.1%. Reflecting the increase in gross profit and efforts to reduce SG&A expenses, consolidated operating income totaled ¥1,643 million (US\$13,665 thousand), a significant turnaround of ¥3,047 million from the operating loss incurred in the previous fiscal year.

SEGMENT INFORMATION

In the Glass Fiber Products Division, shipments of glass fiber yarn and fabric for printed circuit boards were boosted from February 2002 by resurgence in IT-related demand both in Japan and overseas. Conditions failed to reach a full-fledged recovery, however, as demand began to shrink from July. Meanwhile, revenues from glass fiber used in household appliances and automobiles rose due to increased domestic and overseas sales. In addition, performance was buoyed by strong demand for industrial-use fabric from large-scale metropolitan redevelopment projects. As a result, sales in this segment climbed 14.3% to ¥42,297 million (US\$351,888 thousand).

In the Building Materials Division, particularly in thermal insulation and sound absorption materials, strong gains were made in rock wool for interior, industrial, and residential use. Overall sales in this product category remained level with fiscal 2002 figures, however, due to withdrawal from rock wool spray fireproofing work. Sales of glass wool for both residential and nonresidential use declined. Despite improvement in some categories of interior decorating materials (including ceiling and floor materials), overall sales of building-related materials were down. In external building materials, sales of fiber reinforced plastic (FRP) panels, coverings for steel pipes and sheet piles, high-growth potential external thermal insulation systems, and our new aluminum roof material increased. As a result of all these factors, sales in this segment fell 5.6% to ¥49,281 million (US\$409,988 thousand).

As stretch fabric Core Spun Yarn (C•S•Y®) has become more commonplace and imports continue to flood the market, demand has fallen dramatically for this product, impacting negatively on sales. As for interlinings, in order to offset the drop in domestic demand for apparel, the Company has addressed profitable products for the domestic market, expanded sales of highly functional new products and sales to China, and included Nippon Haskell Co., Ltd. in the scope of consolidation. As a result of these initiatives, sales in the Textiles Division edged up 1.0% to ¥17,546 million (US\$145,977 thousand).

Despite low consumer spending, the sports facilities business remained favorable due to successful customer prioritization measures. Rentals from office buildings and commercial facilities have also contributed to income growth. Due to these positive factors, sales in the Real Estate Utilization Division rose 3.5% to ¥3,011 million (US\$25,052 thousand).

In Other Operations, cuts in civic construction pulled down revenue in engineering-related businesses, but biochemical-related sales and PET-bottled beverages were strong. As a result, sales in this segment totaled ¥15,815 million (US\$131,574 thousand), a year-on-year increase of 1.5%.

NET INCOME (LOSS)

With a turnaround in operating income and income before income taxes, net income for the period was ¥219 million (US\$1,819 thousand), an improvement of ¥1,260 million over fiscal 2002. Net income per share was ¥0.88.

CASH FLOWS

Net cash provided by operating activities during the fiscal year under review totaled ¥9,107 million (US\$75,771 thousand), an increase of ¥3,714 million compared with fiscal 2002. The major components of the fiscal 2003 total were income before income taxes, minority interests and equity in earnings of affiliates of ¥2,149 million, a turnaround of ¥3,329 million; net working capital (comprising the net balance of trade receivables, inventories, and trade payables) of ¥579 million, a decrease of ¥3,074 million; and income taxes paid of ¥1,274 million, down ¥2,049 million.

During the fiscal year under review, the Company undertook capital expenditures totaling ¥2,805 million, down ¥8,764 million. Proceeds from sales of properties were ¥3,218 million, up ¥945 million. As a result, net cash provided by investing activities amounted to ¥857 million (US\$7,131 thousand), compared with net cash used in investing activities of ¥8,566 million in the previous fiscal year.

Net cash used in financing activities totaled ¥7,832 million (US\$65,158 thousand), compared with net cash provided by financing activities of ¥3,737 million in fiscal 2002. Short-term bank loans and long-term debt decreased by ¥6,720 million and ¥4,794 million, respectively.

As a result of the above, cash and cash equivalents at the fiscal 2003 year-end were ¥23,067 million (US\$191,909 thousand), an increase of 10.07% from the previous fiscal year-end.

FINANCIAL POSITION

Total current assets as of March 31, 2003 stood at ¥93,461 million (US\$777,542 thousand), down ¥691 million from the fiscal 2002 year-end. Major changes in total current assets included a drop in notes and accounts receivable of ¥2,122 million. Total current liabilities fell ¥10,269 million to ¥63,896 million (US\$531,580 thousand), mainly reflecting decreases of short-term bank loans of ¥6,309 million, current portion of long-term debt of ¥2,326 million, and a decrease in notes and accounts payable of ¥3,195 million. As a result of these factors, net working capital increased ¥9,578 million to ¥29,565 million, and the current ratio improved from 126.9% to 146.3%.

Interest-bearing liabilities (the total of short-term bank loans, current portion of long-term debt, and long-term debt less current portion) stood at ¥51,071 million, a drop of ¥7,207 million compared with the previous fiscal year-end.

Total assets as of March 31, 2003 stood at ¥174,103 million (US\$1,448,443 thousand), down ¥8,862 million, mainly due to the decline in current assets, an increase in accumulated depreciation of ¥5,727 million, and a decline in the balance of investments in securities of ¥2,563 million. As a result of the decrease in assets and the increase in net sales, total asset turnover improved from 0.68 times to 0.73 times.

Total shareholders' equity fell ¥1,179 million to ¥59,832 million (US\$497,771 thousand), mainly due to a drop in retained earnings of ¥527 million, and a decline in foreign currency translation adjustments of ¥511 million. The equity ratio was at 34.4%, up 1.1 percentage points compared with the fiscal 2002 year-end.

CONSOLIDATED BALANCE SHEETS

Nitto Boseki Co., Ltd., and Consolidated Subsidiaries
As of March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 23,838	¥ 22,367	\$ 198,323
Marketable securities	1	1	7
Receivables—Trade and others:			
Notes and accounts	42,170	44,292	350,831
Non-consolidated subsidiaries and affiliates	1,761	1,608	14,647
Less: Allowance for doubtful accounts	(168)	(204)	(1,400)
Inventories (Note 3)	24,324	24,853	202,366
Deferred tax assets (Note 9)	1,093	827	9,093
Prepaid expenses and other current assets	442	408	3,675
Total current assets	93,461	94,152	777,542
Property, plant and equipment (Note 5):			
Land	15,842	15,960	131,798
Buildings and structures	60,430	60,480	502,746
Machinery and equipment	111,119	110,315	924,448
Construction in progress	555	1,010	4,618
Less: Accumulated depreciation	(125,230)	(119,503)	(1,041,845)
Net property, plant and equipment	62,716	68,262	521,765
Investments and other assets:			
Investments in securities	11,674	14,237	97,120
Investments in and advances to non-consolidated subsidiaries and affiliates	587	588	4,886
Deferred tax assets (Note 9)	724	872	6,019
Other assets	4,941	4,854	41,111
Total investments and other assets	17,926	20,551	149,136
Total assets	¥ 174,103	¥ 182,965	\$ 1,448,443

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 4)	¥ 22,613	¥ 28,922	\$ 188,128
Current portion of long-term debt (Note 5)	8,891	11,217	73,970
Payables—Trade and others:			
Notes and accounts	22,927	26,122	190,741
Non-consolidated subsidiaries and affiliates	570	884	4,744
Income taxes payable (Note 9)	2,268	466	18,865
Deferred tax liabilities (Note 9)	8	16	65
Accrued expenses and other current liabilities	6,619	6,538	55,067
Total current liabilities	63,896	74,165	531,580
Long-term liabilities:			
Long-term debt, less current portion (Note 5)	19,567	18,139	162,790
Accrued retirement benefits (Note 6)	10,683	9,314	88,878
Deferred tax liabilities (Note 9)	654	1,699	5,437
Other long-term liabilities	18,054	17,219	150,195
Total long-term liabilities	48,958	46,371	407,300
Minority interests in consolidated subsidiaries	1,417	1,418	11,792
Contingent liabilities (Note 7)			
Shareholders' equity (Notes 8 and 11):			
Common stock, no par value in 2003 and 2002:			
Authorized—400,000,000 shares			
Issued: 2003 and 2002—247,677,560 shares	19,699	19,699	163,888
Additional paid-in capital	23,058	23,058	191,833
Retained earnings	16,495	17,022	137,233
Unrealized gain on securities	967	1,092	8,044
Foreign currency translation adjustments	(369)	142	(3,070)
Less: Treasury stock, at cost	(19)	(2)	(157)
Total shareholders' equity	59,832	61,011	497,771
Total liabilities and shareholders' equity	¥174,103	¥182,965	\$1,448,443

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nitto Boseki Co., Ltd., and Consolidated Subsidiaries
For the years ended March 31, 2003 and 2002

	Millions of yen						
	Issued shares of common stock (thousands)	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on securities	Foreign currency translation adjustments	Treasury stock
Balance as of March 31, 2001	247,678	¥19,699	¥23,058	¥18,743	¥ —	¥(549)	¥ (0)
Adjustments due to increase in consolidated subsidiaries	—	—	—	63	—	—	—
Net income (loss)	—	—	—	(1,041)	—	—	—
Cash dividends	—	—	—	(743)	—	—	—
Others—net	—	—	—	—	1,092	691	(2)
Balance as of March 31, 2002	247,678	¥19,699	¥23,058	¥17,022	¥1,092	¥ 142	¥ (2)
Net income	—	—	—	219	—	—	—
Cash dividends	—	—	—	(744)	—	—	—
Others—net	—	—	—	(2)	(125)	(511)	(17)
Balance as of March 31, 2003	247,678	¥19,699	¥23,058	¥16,495	¥ 967	¥(369)	¥ (19)

	Thousands of U.S. dollars (Note 1)					
	Common stock	Additional paid-in capital	Retained earnings	Unrealized gain on securities	Foreign currency translation adjustments	Treasury stock
Balance as of March 31, 2002	\$163,888	\$191,833	\$141,609	\$9,082	\$ 1,185	\$ (20)
Net income	—	—	1,819	—	—	—
Cash dividends	—	—	(6,181)	—	—	—
Others—net	—	—	(14)	(1,038)	(4,255)	(137)
Balance as of March 31, 2003	\$163,888	\$191,833	\$137,233	\$8,044	\$(3,070)	\$(157)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nitto Boseki Co., Ltd., and Consolidated Subsidiaries
For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Cash flows from operating activities:			
Income (loss) before income taxes	¥ 2,149	¥ (1,180)	\$ 17,879
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	7,581	7,969	63,073
Interest and dividend income	(240)	(199)	(1,997)
Interest expenses	1,068	1,052	8,885
Loss (gain) on sales or write-down on securities	1,802	(459)	14,988
Gain on sales and disposal of tangible and intangible assets	(3,706)	(1,668)	(30,830)
Decrease in trade receivables	3,171	8,171	26,384
Decrease (increase) in inventories	947	(326)	7,875
Decrease in trade payables	(3,539)	(4,192)	(29,439)
Increase in retirement benefits	1,362	1,362	11,332
Others	255	(1,343)	2,122
Interest and dividend income received	610	585	5,072
Interest expenses paid	(1,079)	(1,056)	(8,976)
Income taxes paid	(1,274)	(3,323)	(10,597)
Net cash provided by operating activities	9,107	5,393	75,771
Cash flows from investing activities:			
Decrease in time deposit	646	73	5,380
(Increase) decrease in marketable securities	(0)	3	(0)
Capital expenditure	(2,805)	(11,569)	(23,336)
Proceeds from sale of properties	3,218	2,273	26,772
Purchase of investment securities	(1,010)	(763)	(8,406)
Proceeds from sale of investment securities	1,194	1,596	9,934
Others	(386)	(179)	(3,213)
Net cash provided by (used in) investing activities	857	(8,566)	7,131
Cash flows from financing activities:			
(Decrease) increase in short-term bank loans	(6,192)	528	(51,511)
Proceeds from long-term debt	11,069	8,510	92,085
Repayments on long-term debt	(11,874)	(4,521)	(98,789)
Cash dividends	(822)	(778)	(6,836)
Others	(13)	(2)	(107)
Net cash provided by (used in) financing activities	(7,832)	3,737	(65,158)
Effect of exchange rate changes on cash and cash equivalents	(22)	84	(185)
Net increase in cash equivalents	2,110	648	17,559
Cash and cash equivalents at beginning of year	20,957	20,056	174,350
Cash and cash equivalents of newly consolidated subsidiaries	—	253	—
Cash and cash equivalents at end of year	¥ 23,067	¥ 20,957	\$ 191,909

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTING FINANCIAL STATEMENTS

(a) The accompanying consolidated financial statements have been prepared from accounting records maintained by Nitto Boseki Co., Ltd. (the “Company”) and its consolidated subsidiaries in conformity with the Securities and Exchange Laws of Japan and accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. However, in order to facilitate the understanding of readers outside Japan, certain reclassifications are given to the consolidated financial statements prepared for domestic purposes.

(b) U.S. dollar amounts presented in the accompanying consolidated financial statements are included solely for convenience and should not be construed as representations that Japanese yen amounts have been or could in the future be converted into U.S. dollars. The rate of ¥120.20 to US\$1, prevailing on March 31, 2003, has been used for translation into U.S. dollar amounts in the accompanying consolidated financial statements.

All amounts are in millions of yen, rounded to the nearest whole unit.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the accounts of the Company and the following 27 significant subsidiaries (the “Companies”):

Nitto Glass Fiber Manufacturing Co., Ltd.	Nittobo Medical Co., Ltd.	Sansys Bottle Co., Ltd.
Paramount Glass Manufacturing Co., Ltd.	Nitto Foods Ltd.	International Immunology Corporation Japan
Nittobo Materials Co., Ltd.	NTB Technology Co., Ltd.	Nippon Haskell Co., Ltd.
Soyo Co., Ltd.	Sansei Kogyo Co., Ltd.	Nittobo Taiwan Co., Ltd.
Shinwa Denzai Co., Ltd.	Nitto Hanbaisho Co., Ltd.	Nittobo America Inc.
Kwansai Soyo Co., Ltd.	Nittobo FRP Laboratory Co., Ltd.	International Immunology Corporation
Nittobo Acoustic Engineering Co., Ltd.	Nitto Glasstex Co., Ltd.	Midland Bio Products Corporation
Nittobo Togan Co., Ltd.	Nitto Allied Service Co., Ltd.	Nittobo (China) Co., Ltd.
Fuji Fiber Glass Co., Ltd.	Nitto Beverage Co., Ltd.	Nittobo Macau Glass Weaving Co., Ltd.

Nittobo acquired a 100% shareholding in Nippon Haskell Co., Ltd. in fiscal 2003 and made it a consolidated subsidiary.

Kwansai Soyo Co., Ltd. merged with Soyo Co., Ltd. on October 1, 2002.

Significant intercompany transactions and accounts among the Companies have been eliminated.

The excess cost of the Company’s investments in consolidated subsidiaries over its equity in the net assets of these companies at the dates of acquisition is amortized over five years.

Investments in two affiliates are accounted for by the equity method.

Investments in non-consolidated subsidiaries and the other affiliates are carried at moving average cost, not on an equity basis, because the aggregate net income and retained earnings of these companies do not have material effect on the consolidated financial statements. Cash dividends from these companies are recorded in the Company’s books when cash dividends are approved at the general meetings of the shareholders.

Concerning the translation of the foreign currency financial statements, the balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders’ equity which is translated at the historical rate, and the revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the annual average exchange rate. Translation differences resulting therefrom were reflected on the accompanying balance sheets as “Foreign currency translation adjustments” in the “Shareholders’ equity” section and included in “Minority interests in consolidated subsidiaries” on the balance sheets.

(b) Sales recognition

Net sales of goods are recognized when the goods are shipped to customers.

(c) Foreign currency translation

All monetary assets and liabilities in foreign currencies of the Company and six consolidated subsidiaries are translated into Japanese yen at the current rates except for those hedged by forward exchange contracts.

(d) Cash and cash equivalents

Cash and cash equivalents comprise mainly short-term investments, primarily those liquid investments with a maturity of three months or less from purchase which are readily convertible into cash. In addition, there is only an insignificant risk, as any fluctuations in value are minor.

For purposes of the consolidated statements of cash flows, cash and cash equivalents comprise the following balance-sheet accounts.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Cash and cash equivalents	¥23,838	¥22,367	\$198,323
Less—time deposits with maturities over three months	(771)	(1,410)	(6,414)
Add—short-term investments with original maturities within three months	—	—	—
Total	¥23,067	¥20,957	\$191,909

(e) Marketable securities and investments in securities

Investments in subsidiaries and affiliates are carried at moving average cost. Other securities with market prices are carried at market value based on market price on the settlement date, while other securities without market price are carried at cost by the moving average method.

(f) Derivatives

Derivatives are carried at market value method.

(g) Inventories

Finished goods, work in process, raw materials and supplies are carried principally at moving average cost.

(h) Property, plant and equipment

Property, plant and equipment are carried at cost. Depreciation is computed principally on the declining-balance method at rates based on the estimated useful lives of assets except for the following buildings. Depreciation of the buildings purchased from April 1, 1998, is computed on the straight-line method based on the estimated useful lives of the buildings.

Representative useful lives are as follows:

Property, plant and equipment	3–50 years
Machinery and equipment	3–22 years

(i) Accrued retirement benefits and pension plan

To facilitate the payment of retirement benefits to employees, the Company makes provisions to the allowance for retirement benefits based on the estimated total benefit payments and pension plan assets at the end of the current fiscal year. A transitional obligation will be amortized by the Company in equal installments over 15 years. Recognized actuarial gain/loss is amortized from the next fiscal year, over the average employee's remaining service period when the actuarial difference was incurred (15–17 years).

The Company and some subsidiaries adopted the reserve for retirement payment for directors and corporate auditors based on the Companies' regulations.

(j) Interperiod tax allocation

Interperiod tax allocation is recorded for timing differences between taxable income and income recorded in the books.

(k) Net income and dividends per share of common stock

The computation of net income per share of common stock has been based on the average number of issued shares (excluding treasury stock) during each fiscal year. Cash dividends per share of common stock represent dividends per share applicable to earnings for the year.

NOTE 3: INVENTORIES

Inventories as of March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Finished goods	¥11,013	¥11,245	\$ 91,621
Work in process	3,409	4,182	28,363
Raw materials and supplies	9,902	9,426	82,382
	¥24,324	¥24,853	\$202,366

NOTE 4: SHORT-TERM BANK LOANS

The weighted average interest rates on these loans were 1.33% and 1.33% as of March 31, 2003 and 2002, respectively.

To provide for effective and speedy short-term financing arrangements, the Company made credit line commitments with seven banks.

The outstanding balances as of March 31, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2003	2003
Total amount of credit lines	¥15,000	\$124,792
Total outstanding balance of the loans	—	—
Total unused lines amount	¥15,000	\$124,792

NOTE 5: LONG-TERM DEBT AND PLEDGED ASSETS

(a) Long-term debt

Long-term debt as of March 31, 2003 and 2002 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Loans principally from banks due 2003–2010, partially secured	¥28,458	¥29,356	\$236,760
Total	28,458	29,356	236,760
Less: Amount due within one year	8,891	11,217	73,970
Total	¥19,567	¥18,139	\$162,790

The annual maturities of long-term debt outstanding as of March 31, 2003 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2003	2003
2004	¥8,891	\$73,970
2005	2,973	24,734
2006	6,460	53,742
2007	3,423	28,477
2008 and thereafter	6,711	55,837

(b) Pledged assets

A summary of assets pledged as collateral for long-term debt as of March 31, 2003 and 2002, is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Property, plant and equipment (net book value)	¥14,313	¥15,029	\$119,075

NOTE 6: PENSION PLAN

The Company and its domestic consolidated subsidiaries have contributory funded defined benefit pension plans, such as contributory pension plans, qualified pension plans and lump-sum severance indemnity plans. As of March 31, 2003, the lump-sum severance indemnity plans are applied by the Company and 11 subsidiaries, and the qualified pension plans are applied by the Company and 9 subsidiaries. Only the Company applies contributory funded defined benefit pension plans.

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2003	2003
Projected benefit obligation	¥29,174	\$242,715
Fair value of plan assets	(5,306)	(44,143)
Unrecognized transitional obligation	(6,904)	(52,255)
Unrecognized actuarial loss	(6,281)	(57,439)
Prepaid pension cost	—	—
Net liability for retirement benefits	¥10,683	\$ 88,878

The components of net periodic benefit costs for the year ended March 31, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2003	2003
Service cost	¥1,810	\$15,061
Interest cost	1,394	11,600
Expected return on plan assets	(629)	(5,231)
Amortization of prior cost (credit)	(502)	(4,179)
Recognized actuarial loss	1,223	10,178
Amortization of transitional obligation	812	6,757
Net periodic benefit costs	¥4,109	\$34,186

Assumptions used for the year ended March 31, 2003 are set forth as follows:

Discount rate	2.5%–3.0%
Expected rate of return on plan assets	3.0%
Recognition period of actuarial gain/loss	15–17 years
Amortization period of transitional obligation	Primarily 15 years

NOTE 7: CONTINGENT LIABILITIES

As of March 31, 2003 and 2002, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Notes discounted with banks	¥697	¥766	\$5,797
Notes endorsed for payment	—	1	—
Guarantees of loans:			
Non-consolidated subsidiaries and affiliates	260	381	2,159
Other companies	4	4	30
Employees' housing loans	54	86	449

NOTE 8: SHAREHOLDERS' EQUITY

The Company is subject to the Japanese Commercial Code (the "Code"). The Code requires that the issue price of shares issued and outstanding be designated as stated capital. The Code also requires at least 50% of the issue price of new shares to be apportioned to stated capital.

The Code also provides that an amount at least equal to 10% of the aggregate amount of payments, which are made as an appropriation of retained earnings applicable to each fiscal period, shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital.

Moreover, the Code allows companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors. Requests from shareholders to purchase the Company's treasury stock may be accepted without a resolution of shareholders at the general shareholders' meeting, unless otherwise stipulated in the Code.

Year-end dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable.

NOTE 9: INCOME TAXES

Income taxes applicable to the Companies comprise (1) corporation tax, (2) enterprise tax and (3) inhabitant tax, which, in the aggregate, produced a statutory tax rate of approximately 41.8% in 2003, the same as in the previous year.

The effective income tax rate of the Companies differs from the statutory tax rate for the following reasons:

	2003
Statutory income tax rate	41.8%
Reconciliation:	
Permanent differences of entertainment expenses not deductible, etc.	6.5%
Inhabitant tax equalization	3.0%
Dividend excluded from income	(7.7)%
Unrecognized net operating loss of consolidated subsidiary	33.3%
Effect on deferred tax assets and liabilities of tax rate changes	1.1%
Other	8.5%
Effective income tax rate	86.5%

The significant components of deferred tax assets and deferred tax liabilities recorded on the consolidated balance sheets as of March 31, 2003 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2003	2003
Gross deferred tax assets:		
Accrued bonuses	¥ 732	\$ 6,089
Accrued retirement benefits	3,952	32,879
Special repair reserve	1,049	8,726
Loss on evaluation of securities	1,030	8,570
Tax loss carryforward	786	6,542
Other	588	4,894
	8,137	67,700
Valuation allowance for deferred tax assets	(1,499)	(12,471)
Deferred tax assets	6,638	55,229
Gross deferred tax liabilities:		
Reserve for property, plant and equipment to use taxable merits by Japanese tax law	4,800	39,931
Unrealized gain on securities	659	5,483
Other	24	204
Deferred tax liabilities	5,483	45,618
Net deferred tax assets	¥ 1,155	\$ 9,611

NOTE 10: SEGMENT INFORMATION

Information by industry segment

The Company and its subsidiaries operate principally in five industry segments: textiles, building materials, glass fiber products, real estate utilization and other operations.

Operations in the textiles segment involve the production and sale of cotton yarn and textile products. Operations in the building materials segment involve the production and sale of floor materials, noncombustible acoustic ceiling panels, rock wool insulation, and FRP lighting panels. Operations in the glass fiber products segment involve the production and sale of glass fiber and fiberglass cloth. Operations in the real estate utilization segment involve a rental building operation and a fitness center operation. Operations in the other segments involve the production and sale of engineering, medical, specialty chemicals, electronics and plastics.

Year ended March 31, 2002	Millions of yen						Consolidated
	Textiles	Building Materials	Glass Fiber Products	Real Estate Utilization	Other Operations	Corporate Expenses or Assets or Eliminations	
Net sales							
Unaffiliated customers	¥17,367	¥52,206	¥36,997	¥ 2,910	¥15,577	¥ —	¥125,057
Intersegment	101	586	589	(7)	715	1,984	—
Total	17,468	52,792	37,586	2,903	16,292	1,984	125,057
Operating cost and expenses	17,448	53,492	39,254	2,067	15,191	991	126,461
Operating income (loss)	20	(700)	(1,668)	836	1,101	993	(1,404)
Identifiable assets	22,011	48,914	55,854	16,929	16,810	22,447	182,965
Depreciation expenses	532	1,865	3,721	865	652	229	7,864
Capital expenditure	676	1,727	4,059	21	711	279	7,473

Year ended March 31, 2003	Millions of yen						Consolidated
	Textiles	Building Materials	Glass Fiber Products	Real Estate Utilization	Other Operations	Corporate Expenses or Assets or Eliminations	
Net sales							
Unaffiliated customers	¥17,546	¥49,281	¥42,297	¥ 3,011	¥15,815	¥ —	¥127,950
Intersegment	106	412	726	—	621	1,865	—
Total	17,652	49,693	43,023	3,011	16,436	1,865	127,950
Operating cost and expenses	17,617	49,098	43,090	2,059	15,264	821	126,307
Operating income (loss)	35	595	(67)	952	1,172	1,044	1,643
Identifiable assets	23,079	43,938	50,724	15,216	15,279	25,867	174,103
Depreciation expenses	642	1,824	3,630	788	419	193	7,496
Capital expenditure	258	1,242	911	32	182	148	2,773

Year ended March 31, 2003	Thousands of U.S. dollars (Note 1)						Consolidated
	Textiles	Building Materials	Glass Fiber Products	Real Estate Utilization	Other Operations	Corporate Expenses or Assets or Eliminations	
Net sales							
Unaffiliated customers	\$145,977	\$409,988	\$351,888	\$ 25,052	\$131,574	\$ —	\$1,064,479
Intersegment	881	3,428	6,042	—	5,167	15,518	—
Total	146,858	413,416	357,930	25,052	136,741	15,518	1,064,479
Operating cost and expenses	146,569	408,466	358,490	17,129	126,987	6,827	1,050,814
Operating income (loss)	289	4,950	(560)	7,923	9,754	8,691	13,665
Identifiable assets	192,006	365,536	421,995	126,591	127,114	215,201	1,448,443
Depreciation expenses	5,344	15,175	30,198	6,553	3,484	1,608	62,362
Capital expenditure	2,145	10,331	7,575	263	1,511	1,234	23,059

NOTE 11: SUBSEQUENT EVENT

At the annual shareholders' meeting, which was held by the Company on June 27, 2003, the following appropriation of retained earnings existing as of March 31, 2003 was duly approved.

Appropriations:	Millions of yen	Thousands of U.S. dollars (Note 1)
	2003	2003
Cash dividends	¥743	\$6,177
Total	¥743	\$6,177

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors of
Nitto Boseki Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nitto Boseki Co., Ltd. and its consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nitto Boseki Co., Ltd. and its consolidated subsidiaries as of March 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles in Japan.

Amounts expressed in U.S. dollars have been translated on the basis stated in Note 1 to the consolidated financial statements.

Tokyo, Japan
June 27, 2003

Shin Nihon & Co.

Shin Nihon & Co.

Corporate Name Nittobo (Registered as Nitto Boseki Co., Ltd.)
Main Branch Aza Higashi 1, Gonome, Fukushima, Japan
Headquarters 1-2-1, Nihonbashi Hamacho, Chuo-ku,
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 Fax : +81-3-3865-6721
 URL : <http://www.nittobo.co.jp/>

Date of Establishment April 22, 1918 Fukushima Seiren Seishi K.K.
 April 1, 1923 Fukushima Boshoku
 changed its name to Nitto Boseki Co., Ltd.
Paid-in Capital ¥19.6 billion
Employees 2,066

Main Offices and Factories

- **Osaka Branch** 4-3-10, Koraibashi, Chuo-ku, Osaka 541-0043, Japan
(Nissei Fushimicho Building New Building)
- **Nagoya Branch** 1-17-13, Nishiki, Naka-ku, Nagoya, Aichi 460-0003, Japan (Meiko Building)
- **Fukushima Factory** Aza Higashi 1, Gonome, Fukushima 960-8161, Japan
- **Fukuyama Enterprise Center**
Aza Shiojima 1, Fukuhara, Fukuyamacho, Koriyama-shi, Fukushima 903-8061, Japan
- **Niigata Factory** 6-50, Higashi Shinmachi, Niigata-shi, Niigata 950-0065, Japan
- **Tomari Enterprise Center**
Hirayanagi 500, Asahi-cho, Shimoniikawa-gun, Toyama 939-0744, Japan
- **Itami Production Center**
1-6-1, Kuwazu, Itami-shi, Hyogo 664-0834, Japan
- **Chiba Factory** 210 Roppo-cho, Inage-ku, Chiba-shi, Chiba 263-0004, Japan
- **Wakayama Factory** Oaza Hiro 898, Hirokawa-cho, Arida-gun, Wakayama 643-0071, Japan
- **Glassfiber Developing Research Center (located in Fukushima Factory)**
- **Biochemical Research Center (located in Fukuyama Enterprise Center)**

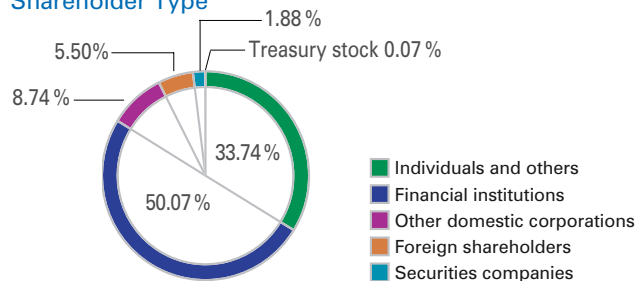
Consolidated Subsidiaries

- Nittobo Materials Co., Ltd.
 - Paramount Glass Manufacturing Co., Ltd.
 - Soyo Co., Ltd.
 - Nitto Glass Fiber Manufacturing Co., Ltd.
 - Nittobo Acoustic Engineering Co., Ltd.
 - Nittobo Togan Co., Ltd.
 - Fuji Fiber Glass Co., Ltd.
 - Nittobo Medical Co., Ltd.
 - NTB Technology Co., Ltd.
 - Nittobo (China) Co., Ltd.
 - Nitto Beverage Co., Ltd.
 - Nittobo Macau Glass Weaving Co., Ltd.
- and other 15 companies

Share Information

Total Number of Shares Issued 247,677,560
 Number of Shareholders 28,227

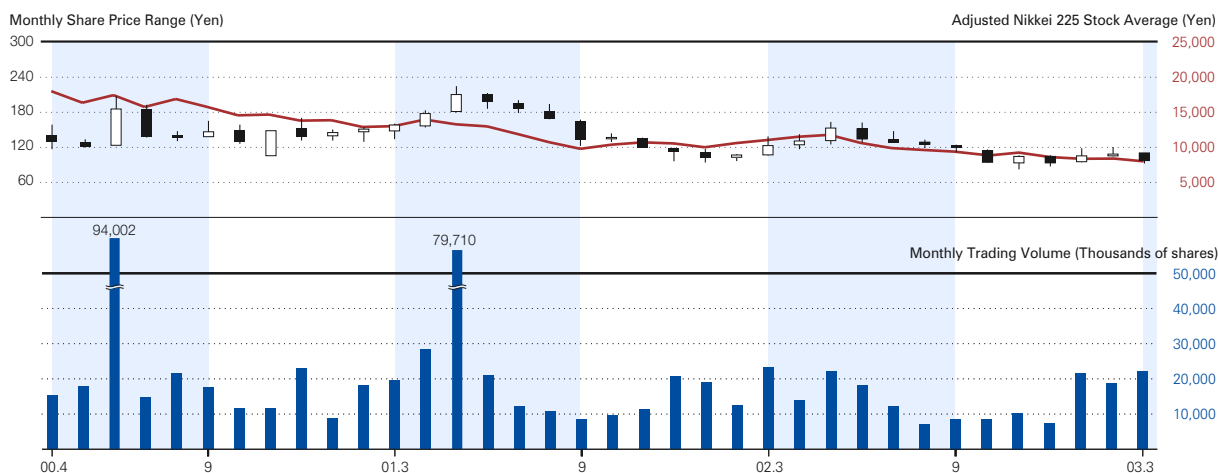
Shareholder Type



Major Shareholders

Name	Number of Shares Held (Thousands of shares)	Percentage of Voting Rights (%)
Japan Trustee Services Bank, Ltd. (trust accounts)	19,431	7.92
The Chuo Mitsui Trust and Banking Co., Ltd.	12,263	5.00
Mizuho Corporate Bank, Ltd.	11,958	4.87
Nippon Life Insurance Company	9,121	3.72
The Master Trust Bank of Japan, Ltd. (trust accounts)	8,871	3.62
UFJ Bank Limited	8,291	3.38
The Dai-ichi Mutual Life Insurance Company	6,580	2.68
UFJ Trust Bank Limited	6,277	2.56
Sumitomo Life Insurance Company	5,412	2.21
Aioi Insurance Co., Ltd.	4,799	1.96

Share Price Range and Trading Volume



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