

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,
 Tokyo 103-8489, Japan
 Tel : +81-3-3865-6728, +81-3-3865-6678
 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)**

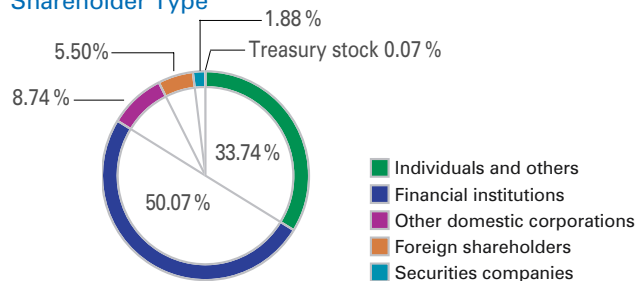
Consolidated Subsidiaries

- 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

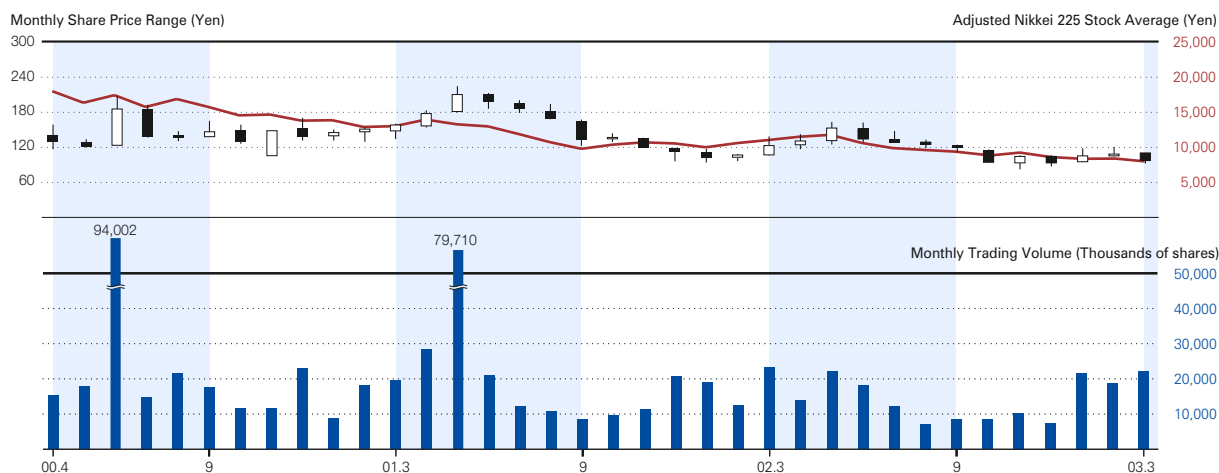
Shareholder Type



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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