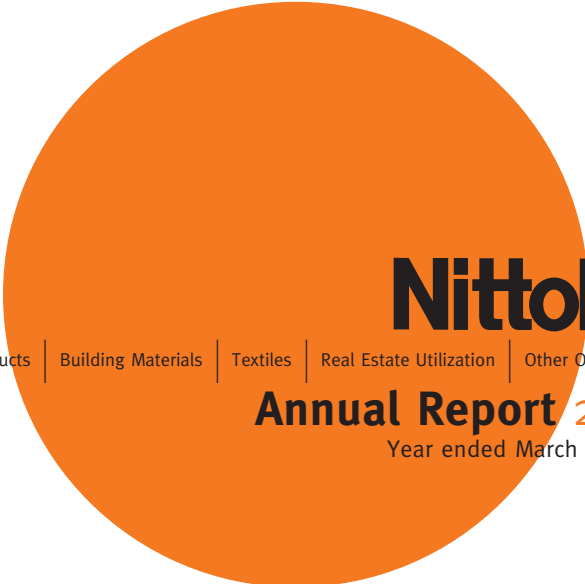


■ The Japanese economy is finally emerging from a period of prolonged downturn with initial signs of an economic recovery. At the same time, initiatives toward operating cost structural reform are beginning to bear fruit, with an improvement in the Company's consolidated results and earnings power. In this annual report, we present our business strategies geared toward achieving sustainable earnings growth.



Nittobo

| Glass Fiber Products | Building Materials | Textiles | Real Estate Utilization | Other Operations |

Annual Report 2004
Year ended March 31, 2004

Since its establishment as a textiles manufacturer in April 1918, Nitto Boseki Co., Ltd. (Nittobo) 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, medical and other operations. Today, over 80% of Nittobo's consolidated net sales are made up of 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.

Note:

Apr. 22, 1918 Established Fukushima Seiren Seishi K.K.

Apr. 1, 1923 Company name changed to Nitto Boseki Co., Ltd.

Jul. 1, 1998 Official unification of corporate name to "Nittobo"

CONTENTS

1. Consolidated Financial Highlights
2. To Our Shareholders
6. Overview by Segment
8. Glass Fiber Products Division
10. Building Materials Division
12. Textiles Division
14. Real Estate Utilization Division
14. Other Operations
16. Directors, Corporate Auditors and Executive Officers
17. Consolidated Six-Year Summary
18. Consolidated Financial Review
20. Consolidated Financial Data
32. Report of Independent Public Accountants
33. Corporate Data/Investor Information

Forward-Looking Statements

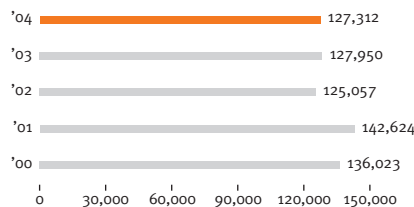
This annual report contains forward-looking statements concerning the Company's business plans, strategies, and performance based on information available to management at the time of disclosure. Accordingly, readers are advised that actual results may differ from forward-looking statements for a variety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

Consolidated Financial Highlights

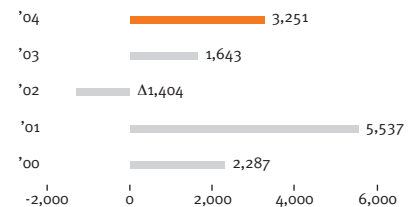
Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Net sales	¥127,312	¥127,950	\$1,204,578
Operating income	3,251	1,643	30,760
Income before income taxes, minority interests and equity in earnings of affiliates	3,165	2,316	29,942
Net income	1,870	219	17,693
Total assets	161,549	174,103	1,528,520
Total shareholders' equity	61,070	59,832	577,821
Per share data:			
Net income (Yen/Dollars)	¥ 7.56	¥ 0.88	\$ 0.072
Cash dividend (Yen/Dollars)	3.00	3.00	0.028
Shareholders' equity ratio (%)	37.8	34.4	
Return on equity (%)	3.1	0.4	

Notes: 1. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥105.69=US\$1 (March 31, 2004).
2. The computation of net income per share is based on the average number of issued shares (excluding treasury stock).

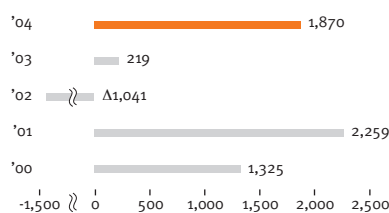
Net Sales (Millions of yen)



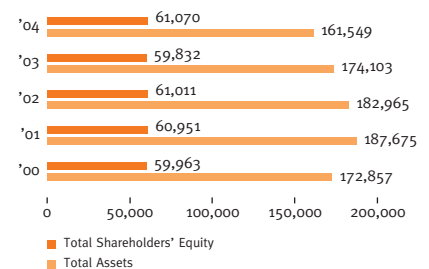
Operating Income (Loss) (Millions of yen)



Net Income (Loss) (Millions of yen)



Total Assets/
Total Shareholders' Equity
(Millions of yen)



To Our Shareholders



Atsuhiko Sagara
President

■ Since the collapse of the bubble economy, Japan's manufacturing industry has steered the difficult path toward structural reform and is finally emerging from a period of prolonged recession. In similar fashion, Nitto Boseki Co., Ltd. has continued in recent years to implement measures to restructure its earnings platform and is now witnessing the fruits of its labor with initial signs of a return to sustained profits. From a period of conservative management, the Company is now well placed to adopt a more proactive approach with increased emphasis on growth. Buoyed by an upswing in IT-related demand, Nittobo will push forward activities in its glass fiber products business as the nucleus of its growth strategy and further reinforce its building materials and textiles businesses, with the aim of increasing earnings power.



Consolidated Business Results

In fiscal 2004, the fiscal year ended March 31, 2004, Nittobo's operating environment was characterized by continued difficult conditions. Demand in Japan's textile industry was weak, while the building materials industry was impacted by a slump in nonresidential construction starts. In the glass fiber products business, the Company was again buffeted by intense overseas competition. Against this backdrop, Nittobo pushed forward with the initiatives outlined in its medium-term management plan, which covers the three-year period commencing fiscal 2004, in an effort to reinforce each of its business activities and to further increase earnings.

In the fiscal year under review, the Company experienced an increase in sales in the Textiles and Building Materials Divisions, boosted by steady sales of textiles in China by Nittobo (China) Co., Ltd., and an increase in sales of both rock and glass wool, as well as of thermal insulation and sound absorption materials for residential use. In the Glass Fiber Products Division, however, sales fell year on year, impacted by appreciation of the yen and increasing competition in Japan and overseas. The Real Estate Utilization Division and other operations also suffered declines primarily due to the withdrawal from leasing activities in connection with the former Suzuka Saty shopping center in Suzuka City, Mie Prefecture. As a result of these factors, consolidated net sales fell ¥638 million, or 0.5%, compared with the previous fiscal year, to ¥127,312 million.

In contrast, on the profit front, operating income surged ¥1,608 million, or 97.9%, year on year to ¥3,251 million. This was attributed to efforts to cut back fixed costs in the Glass Fiber Products Division, an increase in demand for high-value-added IT-related products, and successful measures to improve operating efficiency. Results were also boosted by cost cutbacks across all divisions and the creation of value added.

Net income was impacted by a number of factors. The Company incurred an extraordinary loss totaling ¥4,969 million in connection with its withdrawal from leasing activities relating to the former Suzuka Saty shopping center. Nittobo also reported an extraordinary profit totaling ¥5,654 million, representing legal settlement with Mycal General Development Co., Ltd., a company undergoing reorganization, and benefited from a reduction in taxation in connection with consolidated subsidiaries' tax losses carried forward. Accounting for all these factors, net income for the period was ¥1,870 million, and increase of ¥1,651 million compared with the previous fiscal year.

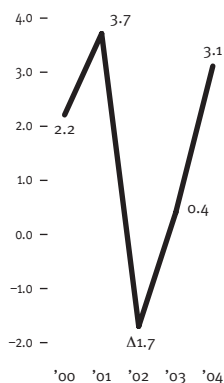
In line with the increase in net income, capital efficiency improved significantly. Consolidated ROE increased 2.7 percentage points to 3.1%, while consolidated ROA rose 0.9 of a percentage point to 1.2%.

In the context of financial management, Nittobo pursues optimal asset and liability management. Interest-bearing debt, the reduction of which is a Company priority, was ¥44,057 million, a drop of ¥7,710 million, at year-end. The interest-bearing debt ratio improved 2.4 percentage points to 27.2%.

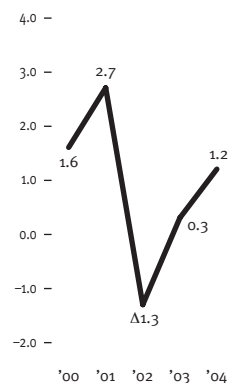
New Medium-Term Management Plan

Commencing the fiscal year ended March 31, 2004, Nittobo formulated its medium-term management plan with the aim of reinforcing its business activities, restructuring the Group's overall earnings platform, and ultimately to revitalize each business division. In the medium-term management plan completed in fiscal 2003, the Company focused on establishing the necessary infrastructure capable of producing sustained growth. In this, the current medium-term management plan, Nittobo will leverage its inherent strengths, work to expand existing businesses, and to increase sales with profits based on the development of new innovative products and technologies.

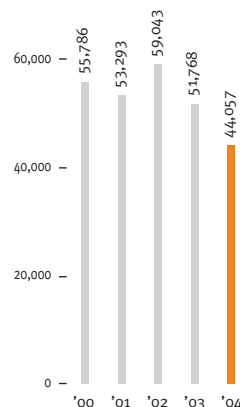
Consolidated ROE (%)



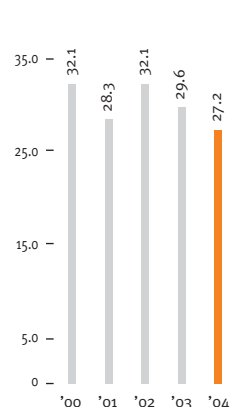
Consolidated ROA (%)



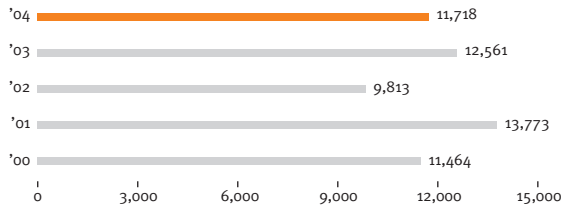
Interest-Bearing Debt (Millions of yen)



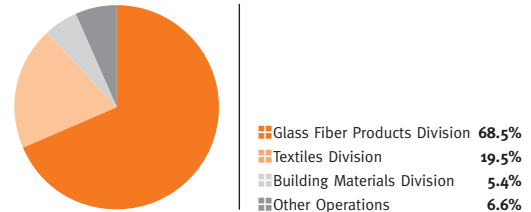
Interest-Bearing Debt Ratio (%)



Glass Fiber Products Division Overseas Sales (Millions of yen)



Ratio of Overseas Sales by Segment ('04)



In fiscal 2004, the first year of the new medium-term plan, the Company adopted six fundamental principles. Those principles were:

- Reducing costs across the board and creating value-added
- Reinforcing existing businesses
- Strengthening domain management
- Enhancing technology and development capabilities
- Cultivating new businesses, and
- Strictly promoting management efficiency within each business domain by ensuring optimal asset and liability management.

Glass Fiber Products Division

In the Glass Fiber Products Division, sales of mainstay products for application in printed circuit boards increased, particularly in the second half of fiscal 2003, buoyed by a marked recovery in the IT industry and robust demand for fine count yarn and lightweight fabric for use in high-end products. In addition, the Company's results experienced solid improvement, driven by a revision of product prices particularly at the high-end. In the future, Nittobo will endeavor to increase the ratio of high-value-added products, an area in which it excels, and at the same time to shift production of general-purpose low count yarn and thick fabrics overseas in an effort to further reduce costs.

The Company recognizes, however, that these measures are insufficient to establish a stable earnings platform in glass fiber products, a segment that is highly susceptible to the fortunes of the IT and related sectors. Accordingly, Nittobo is striving to develop, strengthen, and increase the volume and ratio of business opportunities and applications outside those related to printed circuit boards.

The Company continues to receive wide acclaim for its fiber used in reinforced plastic for items such as septic tanks and bathtubs. We will continue to increase market share in Japan with the aim of securing an unrivalled position in this field.

Demand for our fiber for reinforced thermo plastics used in items such as automobile components and electrical appliances is also showing marked improvement. We will actively develop business in this area by leveraging our expertise and technical prowess.

Despite their limited scale, products for civil engineering and construction applications provide a stable earnings platform. Nittobo recognizes the potential of this business and will work to develop both new products and markets as well as expand its scope of operations in this field.

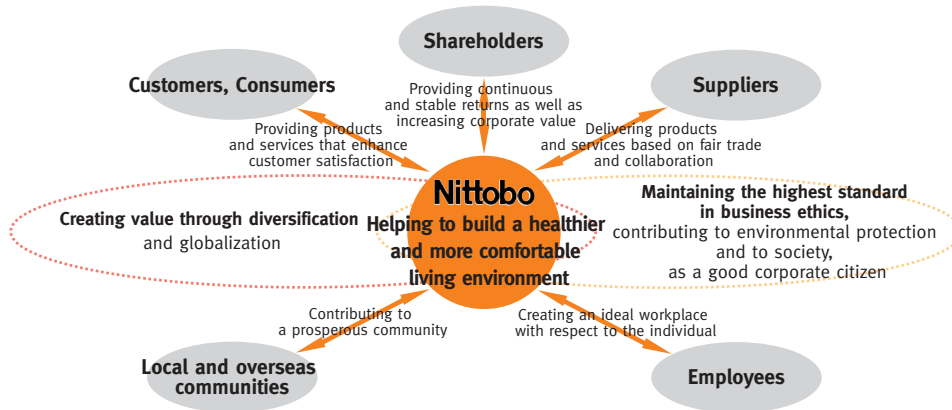
Building Materials Division

The Buildings Materials Division is engaged in the manufacture and sale of materials for interior decorating, building exteriors, and thermal insulation. Based on its core rock wool technology, the Division is also active in the development of new products, cultivating new demand and markets in environmentally friendly businesses.

Nittobo has placed considerable emphasis on the development of new products since 2001. In June 2004, we launched a new external thermal insulation system, and in October, plan to release a non-wet felted fire-resistant material and ceiling panel for retail stores. The Company will be bringing to market a stream of new products.

In addition, we are endeavoring to develop a rock wool product recycling business as a part of our efforts to promote environmentally friendly operations. In this context, Nittobo has successfully developed a recycling process for glass wool products. Utilizing its proprietary melting technology, the Company recycles glass wool products for use as a raw material in rock wool products. Under conventional methods, glass wool products are disposed of at landfill sites. Compared with this disposal method, Nittobo's new recycling technology enables an approximate 75% reduction in disposal costs and we thus anticipate generating considerable interest. Nittobo was put to the test in December 2003, when it received a large-scale order for the recovery and disposal of glass wool thermal insulation materials related to the demolition and dismantling of Lalaport Ski Dome SSAWS in Funabashi, Chiba Prefecture.

We are also experiencing growth in orders for the removal of dioxins and asbestos, an activity in which we have over 10 years' experience.



Textiles Division

In the Textiles Division, Nittobo is placing greater emphasis on the development of high-value-added products in the mainstay areas of adhesive interlining and stretch fabric Core Spun Yarn (C-S-Y®). Together with existing products and applications, the Company is working to boost sales through new products and new applications.

We are also striving to enhance management efficiency as a prerequisite for global business expansion. On the production front, Nittobo has adopted domain management based on a policy of specialization and collaboration. This involves horizontal separation of labor and close liaison between the Company's C-S-Y® Niigata Factory and its original equipment manufacturer (OEM) operation in Indonesia as well as between the Itami Production Center and Nittobo (China) Co., Ltd. While we are seeing concrete results from these efforts, we have positioned the development of new products as a key priority in our medium-term management plan.

On the sales front, we are seeing a sharp increase in demand in China and are set to expand sales in this area. As of March 31, 2004, the percentage of adhesive interlining sales in China represented 40% by volume of the Company's total. We are targeting a ratio of more than 50% by the end of March 2006.

Other Operations

Nittobo continues to pursue the development of a variety of businesses including clinical diagnostic reagents in its Medical Operations and functional polymers in its Specialty Chemicals Operations, as a means of contributing to earnings. Irrespective of business scale, Nittobo is committed to leveraging its technical prowess and sales capabilities in an effort to cultivate and develop a variety of businesses that will form the platform for future growth.

Toward Sustainable Growth

Nittobo strives to build an open and transparent management structure with the aim of securing the trust of its stakeholders, including shareholders and investors.

The Company has adopted an audit system comprising four corporate auditors, of whom two are external appointments. In June 2003, we also introduced an executive officer system and appointed 16 executive officers. Of this number, nine executive officers hold the concurrent position of director. In principle, the Board of Directors serves as the Company's highest decision-making authority and oversees the executive function of executive officers. Together with auditors, the Board of Directors will strengthen and enhance corporate governance systems. In addition, in an effort to boost internal administrative systems, the Company formulated its "Mission Statement," "Code of Behavior," and "Rules for Crisis Management." A Corporate Conduct Committee was established to ensure strict adherence and compliance and as a means to ensure ongoing follow up.

In the future, Nittobo will continue to work tirelessly with the aim of ensuring solid growth. Recalling our roots as a MANUFACTURER, we will endeavor to deliver original and innovative technologies and products that will contribute to global environmental preservation and provide a platform for sustainable earnings and growth.

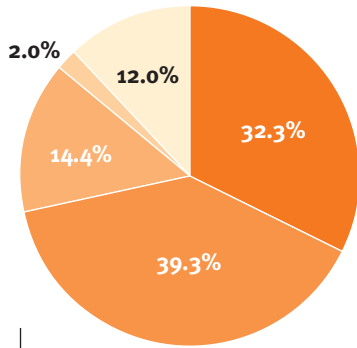
We hope this annual report will provide readers with a better understanding of the Company's performance and strategies, and thank all stakeholders for their continued support.

June 2004

Atsuhiko Sagara
President and Representative Director

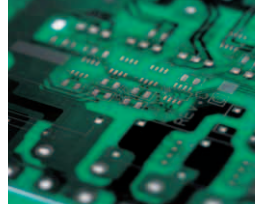
Overview by Segment

Consolidated Net Sales by Segment ('04)



- Glass Fiber Products **32.3%**
- Building Materials **39.3%**
- Textiles **14.4%**
- Real Estate Utilization **2.0%**
- Other Operations **12.0%**

Glass Fiber Products Division



- Glass fiber for FRP* and F RTP**
- Glass yarn
- Glass fabric
- High tensile strength glass fiber
- Acid-resistant glass fiber
- Glass fiber products for industrial applications

* Fiber reinforced plastic

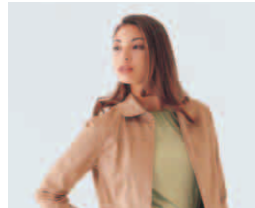
** Fiber reinforced thermoplastic

Building Materials Division



- Fireproof, acoustic rock wool ceiling panels
- Floor panels
- Thermal insulation, acoustic and fireproof materials
- FRP panels
- Aluminum roof materials
- External thermal insulation systems
- Asbestos and dioxin removal work

Textiles Division



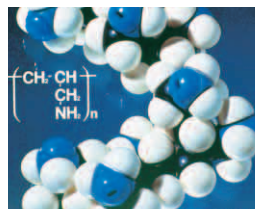
- Yarn (C-S-Y₀)
- Textiles
- Interlining and other garments accessories
- Nittobo dishcloth

Real Estate Utilization Division



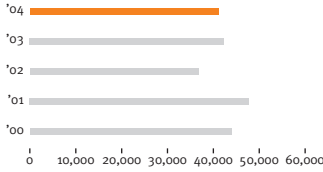
- Real estate operations, sports facilities business
- Nonlife and life insurance agency

Other Operations



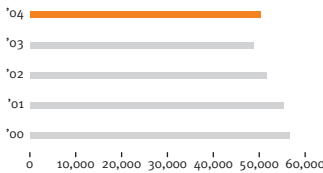
- Medical operations
 - › Clinical diagnostic reagents in biochemistry, hematology and immunology
- Specialty chemical operations
 - › Dye fixative, papermaking additives, metal surface agents, additives for inkjet paper
- Engineering operations
 - › Sound and noise abatement systems, water treatment facilities
- Food and drink operations
 - › Bean food products
 - › Soft drinks and PET bottles
- Building management and other security operations

Net Sales (Millions of yen)



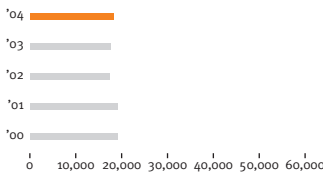
Drawing on its proprietary technology, Nittobo succeeded in the commercial production of glass fiber in 1938 and this acts as the pivotal business in the Company's diversification strategy. Possessing unrivalled expertise in the production of extra fine glass fiber yarn (continuous glass fiber-type yarn), our technological superiority has come to be expected in this cutting-edge technology field. From the manufacture of the yarn, through textile treatment to the development of composite materials in one cohesive organization, there are few companies in the world that match Nittobo.

Net Sales (Millions of yen)



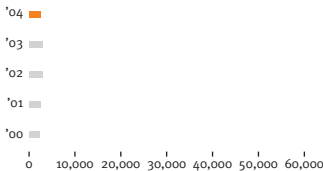
Nittobo was Japan's first industrial producer of rock wool, commencing commercial activities in 1938. While rock wool still forms the nucleus of the Company's Building Materials Division, the extensive development of other materials such as glass wool and phenolic resin foam as insulation and acoustic paneling is also undertaken. The product range includes such interior decorating materials as fireproof, acoustic rock wool ceiling panels, a variety of floor panels etc., and environmentally friendly FRP panels and aluminum roof materials for exterior use. All of our products are lifestyle-enhancing.

Net Sales (Millions of yen)



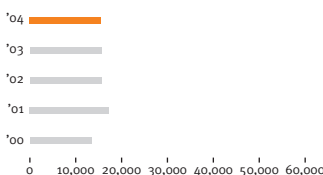
The Textiles Division has occupied a key position in Nittobo's business activities since the Company's founding. Using its consistently high level of product development and technical expertise from spinning to apparel, the Company continues to supply quality designs and develop high-value-added, functional and innovative materials. We are committed to developing products that match the needs of the market and currently boast a core product lineup that includes the stretch Core Spun Yarn (C-S-Y[®]) and apparel interlinings.

Net Sales (Millions of yen)



The Real Estate Utilization Division leases office space in the Nittobo Building, an "intelligent" building in Tokyo's Yaezu business district, and retail space at a mall in Koriyama. In the sports facilities business, Nittobo takes full advantage of its property portfolio, managing a golf driving range, Atago Golf Garden, in 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 service operations, through which we provide nonlife and life insurance agency services.

Net Sales (Millions of yen)



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 chemical operations have developed numerous original polymer materials using specialist expertise. The Company is active in application research and maintains a top market share with DANFIX, a dye fixative. Based on know-how accumulated over many years, Nittobo's engineering operations develop new businesses in the field of environmental engineering, such as sound suppression for civil engineering. This segment also includes businesses in the food and drink, building management and security operation fields.

Glass Fiber Products Division



Sakae Yamazaki

Head of Fiber Products Division
Managing Director

Overview

The Glass Fiber Products Division accounted for 32.3% of net sales in the fiscal year ended March 31, 2004. As one of the Company's core divisions, it is central to Nittobo's diversification strategy. Notably, Nittobo's fine count glass fiber yarn for printed circuit board substrates, which embodies the highest level of manufacturing technology, commands more than 50% of its market. The Company's glass fiber fabric (IC cloth) for printed circuit board substrates is likewise the product of some of the world's best manufacturing technology.

Operating Results

The recovery in IT related industries since the second half of 2003 has been notable, and Japan's electronics industry also regained vigor. There is strong interest in the Company's products, especially 5 to 7 micron-diameter fine yarn and ultra-thin fabric of 50 microns or less, for which Nittobo commands large market shares. The growth in sales of these and other high-value-added products has been remarkable, and has contributed to the improvement of the Company's profitability.

The total volume of shipments of glass fiber yarn for printed circuit board substrates also increased, primarily for application in high-end IT products. However, as to exports, the rise of the yen adversely affected profitability, and no significant improvement in this product's financial performance was noted.

In overseas markets for IC cloth, printed circuit board substrate manufacturing is shifting from Europe and the U.S. to China, and prices have rallied due to a shortage of important materials. In the domestic market, demand for digital electrical appliances and semiconductor packages expanded, and demand for thin fabric rose sharply.

The volume of shipments of glass fiber for fiber reinforced thermo plastic (FRTP) rose, on the strength of higher sales for application in home appliances and efforts to increase exports, although sales for application in automobiles declined as a result of intense competition. China's strategy to flood the market with low-priced goods has put prices on a declining trend.

Fewer large-scale urban redevelopment projects and a decline in public works were the principal factors in a falloff in sales of industrial fabric for home and construction use, the product's mainstay applications. The strength of sales to the auto industry and for use as architectural membranes, however, prevented sales from falling below the previous fiscal year's level.

Although net sales declined 2.8% to ¥41,117 million, sweeping improvement in profitability allowed the division to post its first operating income in three years, a total rise of ¥1,218 million from last year's loss to a profit of ¥1,151 million.

Growth Strategy

Nittobo's strength lies in products that grew out of its core competences, such as fine yarn, ultra-thin fabric, and various other special-purpose fabrics. With the advent of digital wireless electronic devices, demand for high-density, high-capacity printed circuit boards for mobile telephones, routers, and servers is flourishing. As a result, the market for high-strength fine yarn and ultra-thin fabric has grown continuously. Thin materials have grown to 80% of the domestic IC cloth market, and 10% of the world market. However, there is a high likelihood that it will

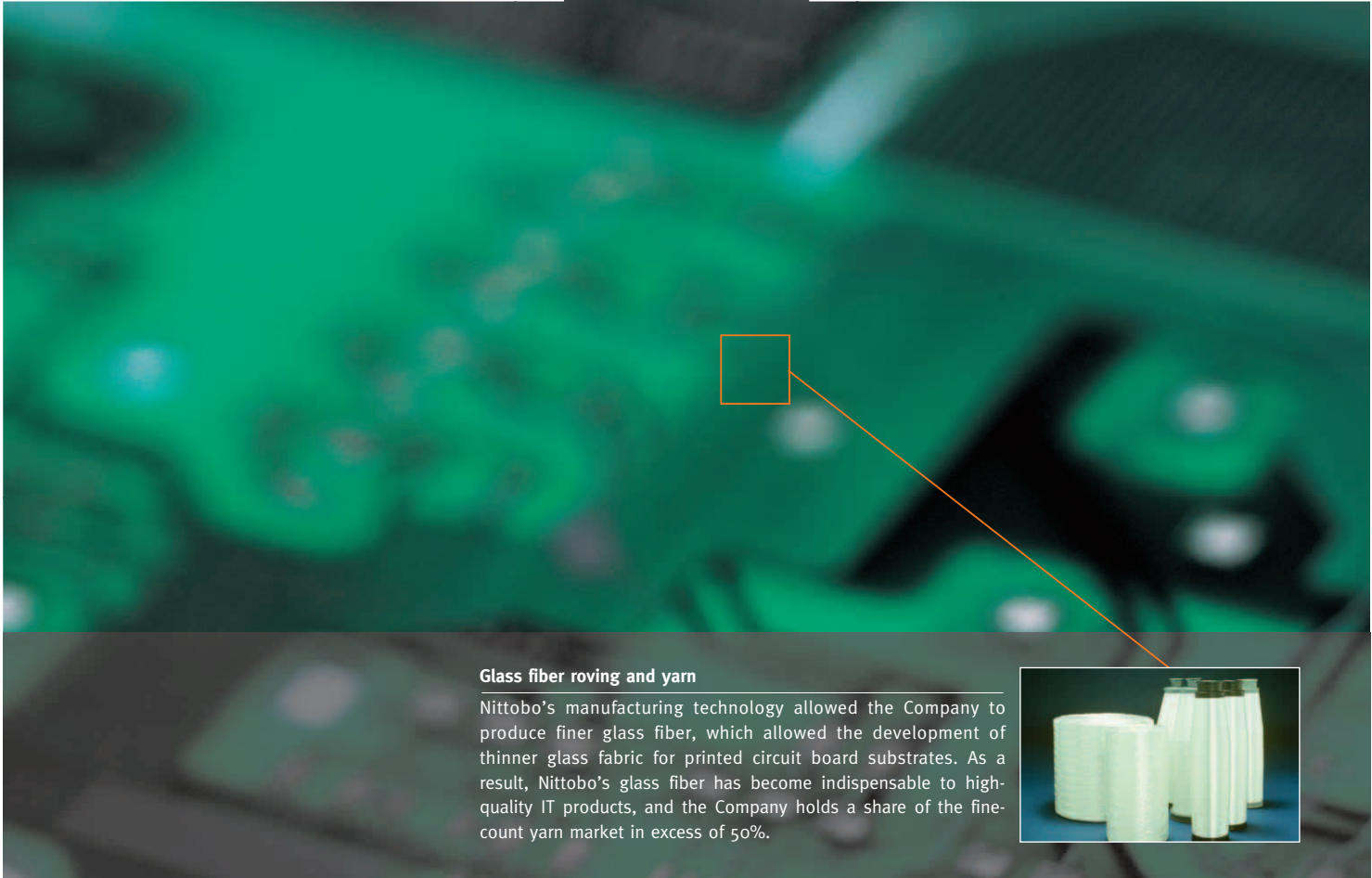
grow to 20 to 30% of the world market. Since the establishment of the Glass Fiber Products Division, the division's motto has been "Finer, Thinner." Pursuing these goals to their limits, the Company works to develop high-end products that are beyond the capabilities of its competitors, and on this basis to remain in the forefront of the industry.

The division is also emphasizing fiber for reinforced thermo plastic (FRTP), demand for which is growing on the strength of increasing use in auto parts and electronics products. Although the market has fluctuated slightly, there has been steady growth in the use of FRTP, and Nittobo has expanded its FRTP-use glass fiber manufacturing facilities. The Company will work to achieve further growth in sales of glass fiber for FRTP applications on the strength of its superior quality and technology. The performance of the yarn and fabric business is significantly affected by trends in IT-related demand, and Nittobo will be seeking methods of restraining fluctuations in performance.

A great strength of the Glass Fiber Products Division is its integrated manufacturing system, which takes glass fiber from melt spinning through textile treatment. Added value is heightened through the weaving and treatment process, using new glass fiber developed by the melt spinning process, which allows the Company to quickly develop and manufacture market glass fiber of the quality demanded by the market.

Nittobo is extending its core technologies to develop new applications. The Company developed NE glass in pursuit of the low dielectric constant of glass fiber, developed T glass to realize greater strength, developed NCR glass for stronger acid resistance, and commercialized all of these. Because there was strong interest in NE glass for applications in the high-speed digital communications field (servers for base stations, etc.), in fiscal 2004 Nittobo installed a small electric furnace solely for this purpose and commenced full-scale manufacturing and sales of this material. At present, only Nittobo has the capability to supply these new glass fibers, and the Company intends to realize the profit appropriate to the inventor of a new technology.

Nittobo's Glass Fiber Products Division will continue to employ these strengths in heightening added value, while working continuously to reduce costs, and to build a strong, stable earnings foundation that will not be subject to demand fluctuations in the IT industry. In view of its global supply responsibilities, Nittobo is studying the issue of establishing overseas manufacturing bases as part of a system to deploy manufacturing and supply operations in optimal locations across the globe.

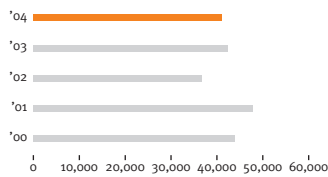


Glass fiber roving and yarn

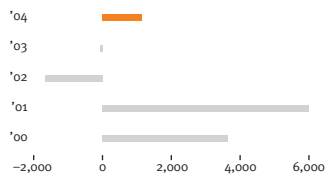
Nittobo's manufacturing technology allowed the Company to produce finer glass fiber, which allowed the development of thinner glass fabric for printed circuit board substrates. As a result, Nittobo's glass fiber has become indispensable to high-quality IT products, and the Company holds a share of the fine-count yarn market in excess of 50%.



Net Sales (Millions of yen)



Operating Income (Loss) (Millions of yen)



Building Materials Division



Suelo Mizuyoshi

Head of Building Materials Division
Managing Director and Representative Director

Overview

Nittobo's Building Materials Division is composed of the interior materials, exterior materials, and thermal insulation and sound absorption materials. The main products in the interior materials sector are fireproof acoustic ceiling panels made from rock wool and various types of flooring. The exterior materials segment handles a line of flat and corrugated FRP panels, exterior thermal insulation systems, and other lifestyle diversification and environmentally friendly products. The division offers a wide range of rock wool, glass wool, and phenol foam thermal and acoustic insulation materials, and is emphasizing the environmental improvement business.

Operating Results

In the fiscal year ended March 31, 2004, the business environment was affected by a falloff in construction of large office buildings in the Tokyo metropolitan area. However, the general economic recovery increased nonresidential construction starts for the first time in seven years. Housing starts also rose slightly, boosted by the spread of preferential taxation and energy conservation standards, as well as a revision to the Construction Standards Law that mandates countermeasures against sick building syndrome.

In these circumstances, Nittobo posted growth in sales of thermal insulation and sound absorption materials (rock wool and glass wool) for residential applications. In the interior materials segment, the Company increased the volume of its sales of rock wool fireproof acoustic ceiling panels by 0.3% owing to the increase of exports to Korea, although the decline in large-scale domestic development projects and public works caused a 6.3% year-on-year decline in the volume of shipments in the industry as a whole. The Company's share within the industry increased. Net sales from dioxins and asbestos removal and other environmental engineering businesses also increased. As a result, net sales for the fiscal year grew by 1.5% to ¥50,031 million, the division's first growth in revenues in seven years. The reduction of costs associated with major products allowed operating income to rise 16.5% to ¥693 million.

Growth Strategy

The building materials industry is in the midst of dramatic change. Technological and cost competition among the world's building materials manufacturers is fostered by changes in laws and regulations governing construction and by environmental concerns, as well as by burgeoning demand in China and the rest of East Asia. Faced with these conditions, the Building Materials Division strove to strengthen its earnings base.

The division also worked to reduce operating expenses and other costs, chiefly through distribution measures. The various

distribution points in the metropolitan area were consolidated in the Chiba Factory, and significant cost reductions were achieved through an alliance with a distribution company and accompanying restructuring of our distribution systems. Manufacturing costs were reduced through total plant management (TPM) activities and a thorough review and reform of materials procurement.

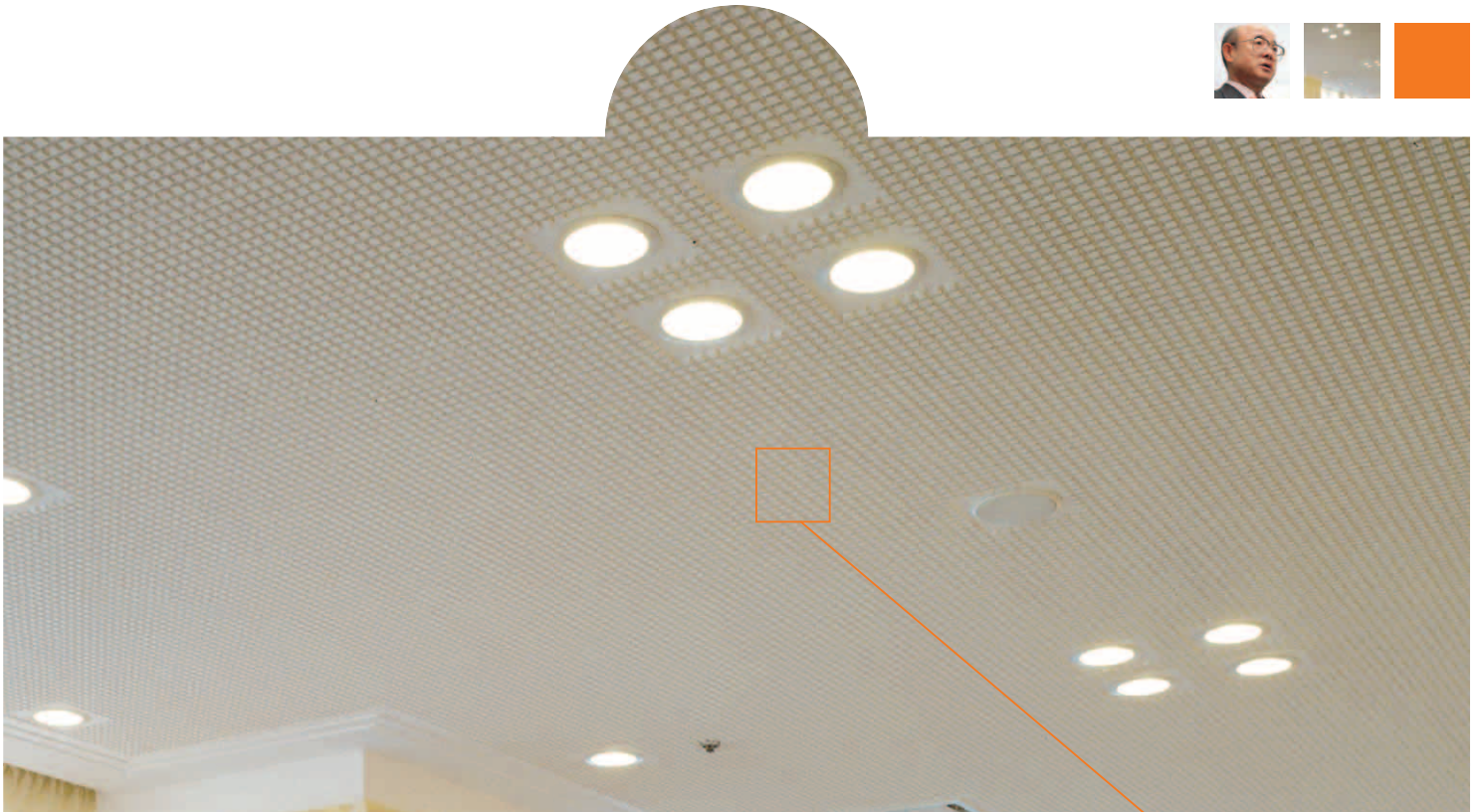
It is a matter of course that Nittobo is taking steps to improve the profitability of existing profits. More important than that, though, is the development of new markets, and of products for that purpose.

The Company is emphasizing the expansion of sales in East Asia, and in that connection is developing marketing channels in Korea, Taiwan, and China. China in particular is working on its urban infrastructure in preparation for the 2008 Beijing Olympics, and demand is growing for high-quality building materials, both residential and non-residential. This is bringing increased business opportunities for Nittobo. In 2003 we established a network of sales agents for our fireproof rock wool acoustic ceiling panels in China. As a result of these developments, overseas sales accounted for 22% of total sales volume in the fiscal year ended March 31, 2004.

In June 2004 we commenced sales of a new exterior thermal insulation system that had been in development since 2001. In October 2004 the Company plans to introduce a new non-wet felted fire-resistant material and a new ceiling panel.

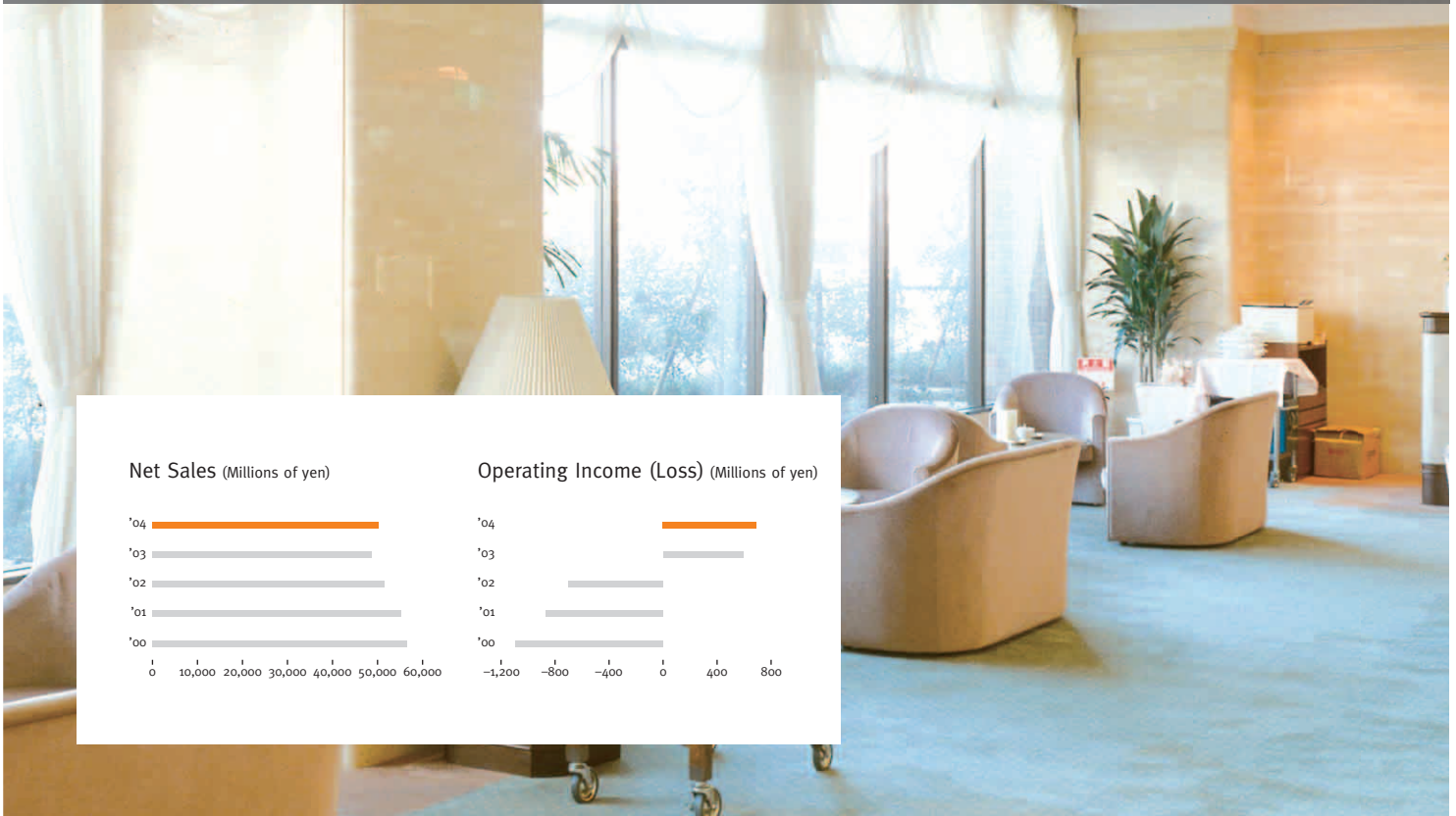
Nittobo has base expectations for its new environmental engineering business. In the fiscal year ended March 31, 2004, net sales from asbestos and dioxins removal operations was still small, but showed steep growth. As our research continues, we will expand our horizons beyond asbestos. Using a special-purpose furnace, we will build a materials recycling business based on the difficult task of melting industrial waste generated in the ceramics industry and using it to produce rock wool.

As discussed above, fiscal 2004 was a year of establishing new businesses and new products.

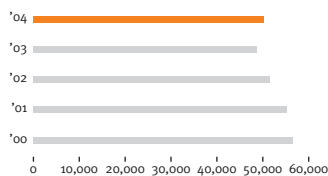


Fireproof acoustical ceiling panels

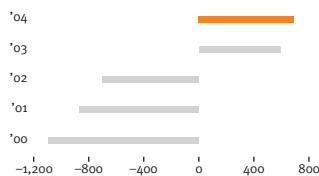
Nittobo's fireproof acoustical ceiling panels, including Solaton and MineratonNEX, have become bywords in the industry. According to application used extensively in both buildings and dwellings alike, they form part of a wide-ranging product lineup of functional ceilings of superior design. In addition, making them to order is but one way to enable customers to express their individuality and enrich a variety of systems in accordance with their concepts of space.



Net Sales (Millions of yen)



Operating Income (Loss) (Millions of yen)



Textiles Division



Katsumi Minamizono

Head of Textiles Division
Managing Director and Representative Director

Overview

Nittobo's Textiles Division boasts a top share of the domestic market in stretch fabric Core Spun Yarn (C-S-Y[®]) and adhesive interlining for women's apparel, thanks to its integrated product development capabilities and technological know-how in spinning, weaving, knitting, finish processing and sewing. We are focusing efforts on improving our quick response capabilities in terms of production, sales and distribution while strengthening our earnings foundation based on a strategy of globalizing manufacturing and marketing.

Operating Results

In the fiscal year ended March 31, 2004, conditions were challenging in the textile market as stretch fabric C-S-Y[®] became more commonplace and sales prices for mainstay textile fabrics continued to decline. Nevertheless, Nittobo retained sales on par with the previous fiscal year, reflecting robust demand for domestic woven fabrics and knits as the shift strengthened to unique C-S-Y[®] products including new synthetic fibers such as MicroModal.

The Japanese market for adhesive interlinings continued to shrink due to the growing trend in casual clothing, the rise in imports and the shift in sewing operations to China. Nittobo made every effort to bolster sales of apparel in mainly the Tokyo market, expand sales of new products centered on highly functional products and streamline high-value-added products. However, sales at Nippon Haskell Co., Ltd., which was included in the Company's scope of consolidation as a consolidated subsidiary in 2002, decreased due to a significant decline in purchases by major interlining manufacturers in Hong Kong. Overseas, Nittobo (China) Co., Ltd. reported favorable results, with an increase in sales, stemming from steady growth in sales in China, in addition to progress in the local procurement of materials and stable sales to Japanese companies.

As a result, sales in the Textiles Division rose 4.4% to ¥18,320 million. Operating income climbed 62.9% compared with the previous fiscal year to ¥57 million.

Growth Strategy

In the Textiles Division, Nittobo has tightened its focus on the two areas of stretch fabric C-S-Y[®] and adhesive interlinings to reinforce competitiveness.

We expect demand for stretch fabrics to expand globally in the future. However, our international competitiveness in quality, price and supply capabilities will determine success or failure as competition intensifies owing to companies expanding their spandex facilities. By advancing the globalization of manufacturing and sales, Nittobo's strategy is to obtain sales opportunities for its entire product lineup, from high-value-added products to commodities.

On the production front, we are promoting high-value-added products by adding new synthetic fiber products at our Niigata Factory. At the same time, we aim to enhance cost competitiveness in commodity products at our OEM factory in Indonesia. In addition, we plan to use outsourcing factories with quick responsiveness in the event of a large order from overseas major SPA or other companies. In marketing, we are switching from a product-based sales structure to a sales organization that emphasizes customer responsiveness, and created a framework for feeding back information from apparel end users to the production lines on the factory floor.

In the adhesive interlinings market, production is shifting to China, the global production center for apparel. We are developing our China strategy centered on Nittobo (China) Co., Ltd., which already has dye processing facilities with a capacity of approximately 1.8 million meters per month and engages in product development in tune with fast-growing Chinese demand.

Sales are roughly divided into thirds with exports to Japan, exports to Europe and the United States and to customers in China. We expect to increase the ratio of sales to customers in China by strengthening our approach to the Chinese market with representative offices in Beijing, Ningbo and Guangzhou in addition to Shanghai and Wuxi.

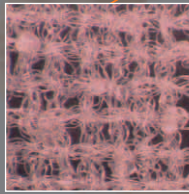
In the domestic adhesive interlinings market, we are streamlining into high-value-added products and striving to expand sales of new products centered on functional products. Moreover, synergistic effects in manufacturing and sales are steadily emerging after we made Nippon Haskell Co., Ltd. into a consolidated subsidiary in September 2002. In the functional materials field, based on our adhesive technologies, we are developing seamless fabrics for inner linings and curtains. We also aim to develop new products and improve our quick responsiveness capabilities by concentrating production management functions at the Itami Production Center.

Nittobo intends to strengthen its earnings foundation in all of its business domains through cost reductions from upgrades to its domestic production structure to ensure sales volume with speedy responses to customer needs and changing trends in stretch fabrics and adhesive interlinings.



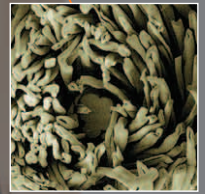
Interlinings and other garment accessories (Photo shows base fabric seen under a microscope)

Careful thought goes into all development aspects of Nittobo's interlinings and other garment accessories, from the raw material, cutting, sewing and finishing right up to the science of disposal. Combining functionality with the essence of fashion that attractively presents a shapely silhouette and style, Nittobo is proud of its No.1 position in Japan for women's clothing interlinings and other garment accessories.

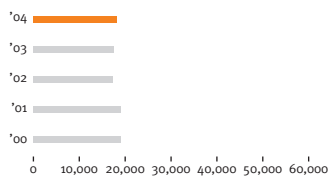


C-S-Y® (Photo shows sectional view seen under an electron microscope)

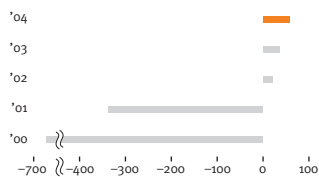
In the case of C-S-Y®, Nittobo utilizes its spinning technologies to completely cover the core made of elastic polyurethane yarn. On account of its double structure, the part that is in direct contact with the skin is 100% sheath material. Used for casual and elegant garments, tops and bottoms, the inner and outer of knitwear and sportswear, C-S-Y® gives textiles extra stretch, inner linings have a better 'feel' and promise free movement and comfort.



Net Sales (Millions of yen)



Operating Income (Loss) (Millions of yen)



Real Estate Utilization Division



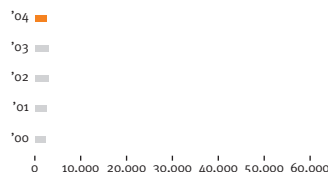
Overview

In the Real Estate Utilization Division, Nittobo engages in the leasing of office buildings and stores as well as the management of golf driving ranges and comprehensive sports clubs. In building leasing operations, we mainly lease space in the Nittobo Building, an “intelligent” office building. Sansei Kogyo Co., Ltd., consigned to provide building maintenance and upkeep services, also offers property and life insurance. In store leasing operations, we offer retail space in commercial facilities, mainly at The Mall Koriyama. In sports facilities, Nittobo effectively utilizes its property portfolio by operating the Atago Golf Garden on its former Shizuoka Factory site and the Renaissance Fukushima comprehensive sports club on the site of its Fukushima Factory.

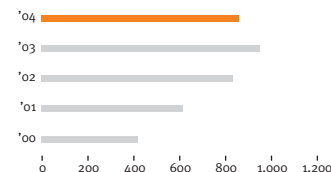
Operating Results

In office building leasing, the Nittobo Building maintained an almost full register of tenants, and in commercial facility leasing, The Mall Koriyama showed favorable performance. In sports facilities operations, despite lackluster consumer spending, performance was strong thanks to a variety of measures to attract customers. However, sales declined 13.3% to ¥2,610 million due to the impact of closing the commercial rental facility Suzuka Saty. Commercial facilities leased to Suzuka Saty were sold on December 25, 2003, after deciding to withdraw from the business.

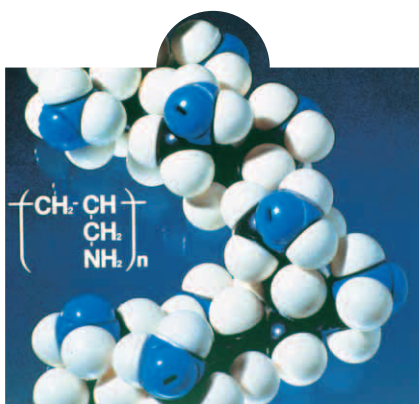
Net Sales (Millions of yen)



Operating Income (Millions of yen)



Other Operations



Overview

In medical operations, Nittobo develops clinical diagnostic reagents in three fields—biochemistry, hematology and immunology—with the aim of creating products that contribute to modern medicine. Our specialty chemicals operations are developing new 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 concentrate on environmental engineering, mainly sound suppression for civil engineering, based on know-how accumulated over many years. This segment also includes businesses in the fields of food, beverages, building maintenance and security.

Operating Results

Medical Division

In the fiscal year ended March 31, 2004, amid the outsourcing of functions at medical facilities and advancements in management efficiency at hospitals, the Medical Division recorded a decline in

sales as a result of succumbing to downward pricing pressures stemming from competition among manufacturers for market share and substantial reductions in drug prices and analysis fees due to measures to control medical costs by the government, as well as a decrease in sales of examination drugs in the United States in overseas operations.



Specialty Chemicals Operations

In specialty chemicals operations, we strengthened sales of mainstay high-polymer products, and sales of dye fixatives for textile processing were on par with the previous fiscal year due to an increase in exports despite continued sales declines in Japan. Nittobo focused marketing efforts on development-based proposals for new polymer materials and the acquisition of new customers by expanding product introductions in the fields of paper processing agents (paper additives, inkjet paper coatings, etc.), metal surface processing agents (acid-washing inhibitors, plating auxiliaries, etc.), and water processing agents (coherent agents, metal catching agents, etc.). Overall, sales of specialty chemicals increased slightly from higher sales of newly developed materials for general household products and for inkjet printers.

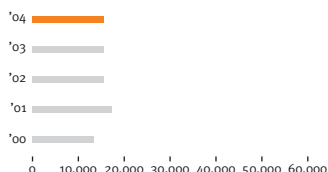
Other Businesses

In engineering operations, demand for sound suppression products to the civil engineering field was steady compared with the previous fiscal year. We focused efforts on expanding sales of newly developed products, but sales decreased owing to lower spending on public works projects and a decline in market prices for general road sound barriers.

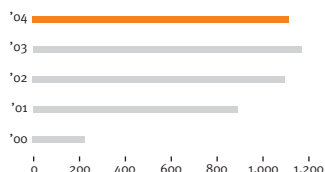
Sales in the PET-bottled beverage business increased, reflecting our efforts to develop new products, respond to diversification and the launch of sales to new customers.

As a result of all these factors, sales in the other operations segment declined 3.7% to ¥15,234 million, and operating income fell 4.8% to ¥1,116 million.

Net Sales (Millions of yen)



Operating Income (Millions of yen)



Growth Strategy

Medical Division

Despite flat growth in the market for clinical diagnostic reagents, competition in development has intensified every year. Nittobo is advancing the development of improved versions of existing products as well as the development of new products.

Using the strengths found in its production bases for antisera in the United States, especially immune serums, Nittobo is reinforcing the development of diagnostic reagents compatible with general automated analysis equipment. The

Company aims to develop diagnostic reagents using monoclonal antibodies and to develop new reagents through academic-industry cooperation. Through this cooperation, we have already discovered a new marker for measuring liver functions that uses the latest protein measurement equipment and genetic technologies.

Nittobo aims to develop diagnostic reagents that allow for the selection of drugs for treatment of illnesses in addition to diagnostic reagents for diseases.

We are striving to bolster sales worldwide, strengthen our business foundation and develop operations by providing high-quality products to the medical field.

Specialty Chemicals Operations

In specialty chemicals operations, we achieved our 50% sales composition target for high-polymer products in the fiscal year under review following efforts to boost sales. We intend to continue increasing the sales ratio of high-polymer products. In order to do so, we are expanding sales of existing products while advancing the development of new products.

Our basic policy for strengthening sales of existing products aims to develop new fields and acquire new customers through the aggressive incorporation of user requests.

In new product development, we promoted joint development frameworks with users, and are focusing product development efforts on sales of final products that can be produced and sold to a wide range of users.

As a part of these efforts, we are working on the development of new polymer materials and assembling cutting-edge technologies crucial to the creation of a development structure able to propose new products approximating final products by evaluating the physical properties of new materials and acquiring performance evaluation technologies.

Other Businesses

In engineering operations, we are concentrating on expanding sales of sound absorption panels for the traditional civil engineering field, while working to increase sales of system products (Noise Vision, audio material special measuring systems, mobile-type DLs, and other systems).

In product development, we are focusing primarily on inorganic materials, and not limiting efforts to simply roadway sound suppression, but looking at a broad range of product development in the field of civil engineering.

In PET-bottled beverage operations, our beverage production facilities have been operating at full capacity for the past three years. In September 2004, we plan to install one more production line for 350 milliliter and 280 milliliter bottles strongly demanded by customers in addition to compatibility with conventional 500 milliliter bottles. Nittobo aims to expand its market and improve earnings by strengthening its multi-variety small-lot production system and product development capabilities.

Directors, Corporate Auditors and Executive Officers



Atsuhiko Sagara
(President)

Sueo Mizuyoshi
(Managing Director)

Toru Dogakinai
(Managing Director)

Katsumi Minamizono
(Managing Director)

Sakae Yamazaki
(Managing Director)

Yoshitada Shiratori
(Managing Director)

Directors

President

Atsuhiko Sagara*

Managing Directors

Sueo Mizuyoshi*

Katsumi Minamizono*

Yoshitada Shiratori*

Toru Dogakinai**

Sakae Yamazaki**

Directors

Tadanori Kitamura**

Toshiaki Oouchi**

Manabu Kitahara**

Executive Officers

Yukio Takano

Hirohiko Morimoto

Hiroaki Wada

Katsuhiko Katayama

Kozo Suzuki

Seikou Kotani

Makoto Gotoh

Corporate Auditors

Full-Time Auditors

Hideo Kanatani

Koji Otsuka

Auditors

Hiroshi Nakamura***

Kinji Yoshida***

* Representative Director also holding post of Executive Officer

** Also holds post of Executive Officer

*** External Corporate Auditor

Consolidated Six-year Summary

Nitto Boseki Co., Ltd., and Consolidated Subsidiaries

	Millions of yen						Thousands of U.S. dollars
	2004	2003	2002	2001	2000	1999	2004
Years ended March 31							
Net sales	¥ 127,312	¥ 127,950	¥ 125,057	¥ 142,624	¥ 136,023	¥ 146,621	\$ 1,204,578
Cost of goods sold	99,923	101,805	100,967	110,828	107,266	115,647	945,437
Selling, general and administrative expenses	24,138	24,502	25,494	26,259	26,470	27,846	228,381
Operating income (loss)	3,251	1,643	(1,404)	5,537	2,287	3,128	30,760
Income (Loss) before income taxes, minority interests and equity in earnings of affiliates	3,165	2,316	(1,180)	3,439	2,210	3,308	29,942
Income taxes	1,177	2,003	440	1,846	1,413	1,929	11,131
Net income (loss)	1,870	219	(1,041)	2,259	1,325	2,265	17,693
Total assets	161,549	174,103	182,965	187,675	172,857	177,581	1,528,520
Total shareholders' equity	61,070	59,832	61,011	60,951	59,963	60,337	577,821
Capital expenditure	3,289	2,773	7,473	14,861	5,049	12,881	31,115
Depreciation expenses	6,225	7,496	7,864	7,061	6,690	6,651	58,893
Per share data:							
Net income (loss) (Yen/Dollars)	¥ 7.56	¥ 0.88	¥ (4.20)	¥ 9.12	¥ 5.35	¥ 9.15	\$ 0.072
Cash dividend (Yen/Dollars)	3.00	3.00	3.00	3.00	3.00	3.00	0.028
Shareholders' equity ratio (%)	37.8	34.4	33.3	32.5	34.7	34.0	
Return on equity (%)	3.1	0.4	(1.7)	3.7	2.2	3.7	

Notes: 1. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥105.69=US\$1.

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

3. In the fiscal year under review, equity in earnings of affiliates is included in income (loss) before income taxes, minority interests and equity in earnings of affiliates. For convenience only, the figures in the previous fiscal year have been recalculated on the same basis.

Consolidated Financial Review

SCOPE OF CONSOLIDATION

The accompanying consolidated financial statements have been prepared from accounting records maintained by Nitto Boseki Co., Ltd. (Nittobo), 26 consolidated subsidiaries, and two affiliates accounted for by the equity method. The Nittobo Group was comprised of Nittobo, 43 subsidiaries, and 10 affiliates, as of March 31, 2004.

NET SALES

Consolidated net sales for fiscal 2004, the fiscal year ended March 31, 2004, decreased ¥638 million from ¥127,950 million to ¥127,312 million. Despite a year-on-year sales increase in the Textiles and Building Materials Divisions, segment sales in the Glass Fiber Products Division fell due to the impact of the yen's appreciation and increased competition both in Japan and overseas. The Company also experienced a drop in rental revenues in its Real Estate Utilization Division attributable to the closure of the commercial rental facility (the former Suzuka Saty) in Suzuka City, Mie Prefecture.

OPERATING EXPENSES, OPERATING INCOME

Gross profit for the fiscal year under review increased ¥1,244 million to ¥27,389 million, reflecting the efforts made to reduce the cost of sales. Despite a slight deterioration in the Textiles and Building Materials Divisions, contributions from the Glass Fiber Products Division rose due to a drop in fixed expenses, an increase in demand for high-value-added IT-related products and a significant improvement in operating efficiency. As a result, the cost of goods sold showed a year-on-year improvement of ¥1,882 million, to ¥99,923 million.

Buoyed by this improvement, operating income for fiscal 2004 jumped ¥1,608 million to ¥3,251 million.

Under extraordinary items, Nittobo reported an extraordinary profit on sales of investments in securities of ¥1,388 million, and an extraordinary loss totaling ¥315 million attributed to unrealized losses on unlisted securities. In addition, the Company recorded an extraordinary profit of ¥5,654 million, representing settlement of legal claims against Mycal General Development Co., Ltd., a company under reorganization. Again, on the debit side, Nittobo incurred an extraordinary loss of ¥4,969 million attributable to business liquidation losses following the withdrawal from leasing activities in connection with the closure of the former Suzuka Saty commercial rental facility in Suzuka City, Mie Prefecture. As a result of these factors, income before income taxes, minority interests and equity in earnings of affiliates totaled ¥3,165 million, an increase of ¥849 million compared with the previous fiscal year.

SEGMENT INFORMATION

Excluding sales for high-quality IT-related products, shipments of glass fiber yarn and fabrics for printed circuit boards from the Glass Fiber Products Division were slow. Despite a sudden recovery in IT-related demand, results were negatively impacted by the appreciation of the yen and intense competition in Japan and overseas. While shipments of glass fiber for reinforced plastics used in household appliances increased due to increased sales in Japan and efforts to boost exports, revenues from glass fiber used in automobiles declined owing to growing industry competition. Our performance in industrial-use fabrics was on a par with the previous fiscal year. Strong sales of products including those used in automobiles and architectural membranes were offset by a drop in sales of fabric, a mainstay product for residences and other buildings, battered by the decline in large-scale redevelopment projects and public sector investment. As a result, sales in this segment decreased 2.8% to ¥41,117 million, while operating income surged significantly driven by increased sales volume of IT-related high-value-added products.

Sales of thermal insulation and sound absorption materials, the mainstay products of the Building Materials Division, were strong. Despite a slump in sales of rock wool for industrial use, sales for residential use increased, fueled by tax incentives and the implementation of energy conservation requirements. Sales of glass wool also rose, with a number of new construction projects brought forward to take advantage of the tax incentives. As a result of these factors, overall sales of thermal insulation and sound absorption materials increased year on year. In the field of interior decorating materials, the impact on sales from a drop in large-scale developments and public sector investments was more than offset by growth in sales volume of fireproof, sound absorption ceiling panels and an increase in exports of base board to Korea. Sales of floor materials were down reflecting weak performance in general-purpose and non-vinyl chloride tiles and a drop in sales of office automation (OA) double-deck flooring systems. In external building materials, Nittobo achieved parity with the previous fiscal year's performance with efforts to increase sales in flat and corrugated fiber reinforced panels balancing out weak sales for roof renovations and coverings for steel pipes and sheet piles, and panels for the stockbreeding industry, brought on by intense competition in each respective field. The Company experienced mixed results from its push into new businesses. Sales of external thermal insulation systems and new products such as aluminum roof materials were stagnant, while sales grew in environmentally conscious businesses such as the elimination and removal of asbestos and dioxins. Accounting for all these factors, sales in the Building Materials Division edged up 1.5% to ¥50,031 million, while operating income improved reflected cuts in logistics and production costs.

As stretch fabric Core Spun Yarn (C·S·Y[®]) has become more commonplace, imports continue to flood the market, causing imbalance in supply and demand, and sales prices of the Company's mainstay fabrics to decline, conditions in the Textiles Division continue to deteriorate rapidly. While Nittobo has endeavored to promote knit fabric and new synthetic products, efforts have only resulted in a parallel performance with the fiscal year ended March 31, 2003. Sales of adhesive interlinings for apparel increased year on year despite a growing trend toward casual fashion and the continuing flow of imports. Results were buoyed by efforts to promote high-value-added and highly functional products and the synergy effects of steady sales in China by Nittobo (China) Co., Ltd. and contributions from Nippon Haskell Co., Ltd. As a result of these initiatives, sales in the Textiles Division climbed 4.4% to ¥18,320 million with an increase in operating income.

Despite continued low consumer spending, results from the Sports Facilities Business remained steady due to successful customer privilege plans. Overall, rentals from office buildings were strong on close to full occupancy, while commercial facilities such as The Mall Koriyama provided a positive contribution. The closure of the Suzuka Saty commercial rental facility (building sold on December 25, 2003), however, impacted significantly on the Company's performance. Accordingly, sales of the Real Estate Utilization Division fell 13.3% to ¥2,610 million.

In Medical Operations, revenue in Japan in the clinical diagnostic reagents business fell, reflecting government policies to curtail medical expenditure and increased competition. This was exacerbated by a weak performance overseas, primarily in the United States. The Specialty Chemicals Operations experienced an overall increase in sales, the slump in dye fixatives and products used for the treatment of paper offset by growth in sales of developed products. Sales declined in engineering operations for highway sound suppression products despite development efforts. Meanwhile, sales volumes in the PET-bottled beverage business increased. As a result of these factors, sales in the Other Operations segment declined 3.7% to ¥15,234 million.

NET INCOME (LOSS)

Corporate, enterprise and inhabitants' tax, together with the application of tax-effect accounting, resulted in a tax expense for the fiscal year under review of ¥1,177 million, down ¥826 million compared with the previous fiscal year. This translated to an improvement in the ratio of income taxes to income before income taxes and minority interests from 86.5% to 37.2%. This was primarily attributed to increased probability in the recovery of tax loss carryforwards of consolidated subsidiaries. As a result, net income jumped ¥1,651 million to ¥1,870 million.

CASH FLOWS AND FINANCIAL POSITION

Net cash provided by operating activities during the fiscal year under review totaled ¥4,023 million, a decrease of ¥5,084 million compared with fiscal 2003. The major components were income before income taxes of ¥3,165 million, an increase of ¥849 million; decrease in trade receivables of ¥381 million, a drop of ¥2,790 million; decrease in long-term deposits held, which declined ¥6,968 million, and; income taxes paid of ¥3,251 million, an increase of ¥1,977 million.

During the fiscal year under review, the Company undertook capital expenditure of ¥2,258 million, down ¥547 million. Proceeds from sale of properties and investment securities were ¥2,166 million, a decrease of ¥1,052 million, and ¥1,783 million, up ¥589 million, respectively. As a result, net cash provided by investing activities amounted to ¥2,463 million, an increase of ¥1,606 million compared with fiscal 2003.

Net cash used in financing activities totaled ¥8,196 million, up ¥364 million. The net decrease in long-term debt and short-term bank loans was ¥7,398 million, resulting in an increase in outflow totaling ¥401 million compared with the previous fiscal year.

Cash and cash equivalents at the end of the year amounted to ¥21,324 million, a decrease of ¥1,743 million. The major component was income before income taxes of ¥3,165 million included in net cash provided by operating activities of ¥4,023 million.

Current assets as of March 31, 2004 stood at ¥87,732 million, a decrease of ¥5,729 million. The primary cause was the ¥2,314 million drop in cash and cash equivalents partly reflecting a reduction in interest-bearing debt. Net property, plant and equipment amounted to ¥53,549 million, a fall of ¥9,167 million compared with the previous fiscal year. This was caused by such factors as the decline in buildings and structures resulting from the transfer of the former Suzuka Mycal shopping center in Suzuka City, Mie Prefecture.

Current liabilities stood at ¥51,307 million, a decline of ¥12,589 million, owing to the decrease in short-term bank loans and current portion of long-term debt. Long-term liabilities fell ¥1,272 million to ¥47,686 million reflecting the increase in long-term debt and the decrease in long-term deposits held totaling ¥7,187 million in connection with the termination of the lease covering of the Suzuka Saty commercial facility from Mycal General Development Co., Ltd., a company undergoing reorganization.

Shareholders' equity as of March 31, 2004 stood at ¥61,070 million, an increase of ¥1,238 million as of the previous fiscal year-end. Major components were retained earnings, which declined ¥1,118 million due to the inclusion or exclusion of equity-method affiliates in the Company's scope of consolidation, and an increase of ¥2,989 million in unrealized gain on securities.

Consolidated Financial Data

Consolidated Balance Sheets

Nitto Boseki Co., Ltd., and Consolidated Subsidiaries As of March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 21,524	¥ 23,838	\$ 203,653
Marketable securities	—	1	—
Receivables—Trade and others:			
Notes and accounts	40,210	42,170	380,457
Non-consolidated subsidiaries and affiliates	2,018	1,761	19,093
Less: Allowance for doubtful accounts	(294)	(168)	(2,785)
Inventories (Note 3)	22,529	24,324	213,163
Deferred tax assets (Note 9)	1,329	1,093	12,571
Prepaid expenses and other current assets	416	442	3,935
Total current assets	87,732	93,461	830,087
Property, plant and equipment (Note 5):			
Land	15,745	15,842	148,975
Buildings and structures	53,181	60,430	503,178
Machinery and equipment	110,929	111,119	1,049,567
Construction in progress	478	555	4,527
Less: Accumulated depreciation	(126,784)	(125,230)	(1,199,581)
Net property, plant and equipment	53,549	62,716	506,666
Investments and other assets:			
Investments in securities	13,816	11,674	130,720
Investments in and advances to non-consolidated subsidiaries and affiliates	553	587	5,233
Deferred tax assets (Note 9)	1,400	724	13,243
Other assets	4,499	4,941	42,571
Total investments and other assets	20,268	17,926	191,767
Total assets	¥ 161,549	¥ 174,103	\$ 1,528,520

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 4)	¥ 16,650	¥ 22,613	\$ 157,540
Current portion of long-term debt (Note 5)	3,279	8,891	31,026
Payables—Trade and others:			
Notes and accounts	22,795	22,927	215,674
Non-consolidated subsidiaries and affiliates	497	570	4,707
Income taxes payable (Note 9)	1,977	2,268	18,701
Deferred tax liabilities (Note 9)	19	8	181
Accrued expenses and other current liabilities	6,090	6,619	57,623
Total current liabilities	51,307	63,896	485,452
Long-term liabilities:			
Long-term debt, less current portion (Note 5)	23,583	19,567	223,137
Accrued retirement benefits (Note 6)	11,681	10,683	110,527
Deferred tax liabilities (Note 9)	1,757	654	16,621
Other long-term liabilities	10,665	18,054	100,906
Total long-term liabilities	47,686	48,958	451,191
Minority interests in consolidated subsidiaries	1,486	1,417	14,056
Contingent liabilities (Note 7)			
Shareholders' equity (Notes 8 and 11):			
Common stock, no par value in 2004 and 2003:			
Authorized—400,000,000 shares			
Issued: 2004 and 2003—247,677,560 shares	19,699	19,699	186,388
Additional paid-in capital	23,058	23,058	218,170
Retained earnings	15,377	16,495	145,488
Unrealized gain on securities	3,956	967	37,431
Foreign currency translation adjustments	(996)	(369)	(9,423)
Less: Treasury stock, at cost	(24)	(19)	(233)
Total shareholders' equity	61,070	59,832	577,821
Total liabilities and shareholders' equity	¥ 161,549	¥ 174,103	\$ 1,528,520

Consolidated Statements of Income

Nitto Boseki Co., Ltd., and Consolidated Subsidiaries For the years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Net sales	¥ 127,312	¥ 127,950	\$ 1,204,578
Cost of goods sold	99,923	101,805	945,437
Gross profit	27,389	26,145	259,141
Selling, general and administrative expenses	24,138	24,502	228,381
Operating income	3,251	1,643	30,760
Other income (expenses):			
Interest and dividend income	112	240	1,063
Interest expenses	(898)	(1,068)	(8,501)
Gain on sale of tangible fixed assets, net	344	3,705	3,258
Equity in earnings of affiliates	(15)	167	(146)
Others, net	371	(2,371)	3,508
	(86)	673	(818)
Income before income taxes and minority interests	3,165	2,316	29,942
Income taxes (Note 9):			
Current	3,010	3,035	28,475
Deferred	(1,833)	(1,032)	(17,344)
	1,177	2,003	11,131
Income before minority interests	1,988	313	18,811
Minority interests	118	94	1,118
Net income	¥ 1,870	¥ 219	\$ 17,693
Per share of common stock:			
Net income	¥ 7.56	¥ 0.88	\$ 0.072
Cash dividends applicable to earnings for the year	3.00	3.00	0.028

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Nitto Boseki Co., Ltd., and Consolidated Subsidiaries For the years ended March 31, 2004 and 2003

	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, 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)
Net income	—	—	—	1,870	—	—	—
Cash dividends	—	—	—	(743)	—	—	—
Total retained earnings from companies not handled under the equity method	—	—	—	(1,793)	—	—	—
Total retained earnings accruing from additions to the number of companies handled under the equity method	—	—	—	(452)	—	—	—
Others—net	—	—	—	—	2,989	(627)	(5)
Balance as of March 31, 2004	247,678	¥ 19,699	¥ 23,058	¥ 15,377	¥ 3,956	¥ (996)	¥ (24)

	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, 2003	\$ 186,388	\$ 218,170	\$ 156,074	\$ 9,149	\$ (3,492)	\$ (179)
Net income	—	—	17,693	—	—	—
Cash dividends	—	—	(7,025)	—	—	—
Total retained earnings from companies not handled under the equity method	—	—	(16,975)	—	—	—
Total retained earnings accruing from additions to the number of companies handled under the equity method	—	—	(4,279)	—	—	—
Others—net	—	—	—	28,282	(5,931)	(54)
Balance as of March 31, 2004	\$ 186,388	\$ 218,170	\$ 145,488	\$ 37,431	\$ (9,423)	\$ (233)

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, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Cash flows from operating activities:			
Income (loss) before income taxes	¥ 3,165	¥ 2,316	\$ 29,942
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	6,224	7,581	58,892
Interest and dividend income	(112)	(240)	(1,063)
Interest expenses	899	1,068	8,501
Loss (gain) on sales or write-down on securities	(938)	1,802	(8,879)
Loss (gain) on sales and disposal of tangible and intangible assets	4,446	(3,706)	42,064
Decrease in trade receivables	381	3,171	3,608
Decrease in inventories	1,633	947	15,452
Decrease in trade payables	(557)	(3,539)	(5,266)
Increase in retirement benefits	998	1,362	9,447
Others	(8,176)	88	(77,361)
Interest and dividend income received	205	610	1,937
Interest expenses paid	(894)	(1,079)	(8,454)
Income taxes paid	(3,251)	(1,274)	(30,756)
Net cash provided by operating activities	4,023	9,107	38,064
Cash flows from investing activities:			
Decrease in time deposit	569	646	5,386
Decrease (increase) in marketable securities	0	(0)	6
Capital expenditure	(2,258)	(2,805)	(21,366)
Proceeds from sale of properties	2,166	3,218	20,497
Purchase of investment securities	(520)	(1,010)	(4,923)
Proceeds from sale of investment securities	1,783	1,194	16,872
Others	723	(386)	6,840
Net cash provided by investing activities	2,463	857	23,312
Cash flows from financing activities:			
(Decrease) in short-term bank loans	(5,823)	(6,192)	(55,093)
Proceeds from long-term debt	8,000	11,069	75,693
Repayments on long-term debt	(9,575)	(11,874)	(90,599)
Cash dividends	(792)	(822)	(7,498)
Others	(6)	(13)	(54)
Net cash (used in) financing activities	(8,196)	(7,832)	(77,551)
Effect of exchange rate changes on cash and cash equivalents	(33)	(22)	(317)
Net (decrease) increase in cash equivalents	(1,743)	2,110	(16,492)
Cash and cash equivalents at beginning of year	23,067	20,957	218,256
Cash and cash equivalents at end of year	¥ 21,324	¥ 23,067	\$ 201,764

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 ¥105.69 to US\$1, prevailing on March 31, 2004, 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 26 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.

Kwansai Soyo Co., Ltd. has been excluded as a subsidiary company from the scope of consolidation following its merger with Soyo Co., Ltd. on October 1, 2002. Consolidated subsidiary, NTB Technology Co., Ltd., changed its name to Nittobo Techno Co., Ltd. on January 1, 2004.

All significant intercompany balances and transactions have been eliminated in consolidation. The excess of the Company's investment cost in domestic consolidated subsidiaries over its equity in net assets at the dates of acquisition is being amortized over a period of five years.

Investments in two affiliates are accounted for by the equity method. Decolanitto corp. was included in the Company's scope of consolidation as an equity-method affiliate owing to the increasing importance of its operations.

Ube-Nitto Kasei Co., Ltd. was excluded from the Company's scope of consolidation as an equity-method affiliate following the exchange of all of its shares with Ube Industries, Ltd. 17 non-consolidated subsidiaries and eight affiliated companies to which the equity method does not apply have been removed from the Company's scope of consolidation because the income and retained earnings of each company has an immaterial effect on the Company's overall operations. Investments in non-consolidated subsidiaries and other affiliates are carried at moving-average cost. Cash dividends from these companies are recorded in the Company's books when cash dividends are approved at the general meetings of shareholders.

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

(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)
	2004	2003	2004
Cash and cash equivalents	¥21,524	¥23,838	\$203,653
Less—time deposits with maturities over three months	(200)	(771)	(1,889)
Add—short-term investments with original maturities within three months	—	—	—
Total	¥21,324	¥23,067	\$201,764

(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. The prior service cost is amortized over a 15-year period, which is within the average remaining service period of employees. A transitional obligation is 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, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Finished goods	¥ 9,907	¥ 11,013	\$ 93,736
Work in process	3,185	3,409	30,132
Raw materials and supplies	9,437	9,902	89,295
	<u>¥22,529</u>	<u>¥24,324</u>	<u>\$ 213,163</u>

Note 4: Short-term bank loans

The weighted average interest rates on these loans were 1.51% and 1.33% as of March 31, 2004 and 2003, respectively.

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

The outstanding balances as of March 31, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Total amount of credit lines	¥ 7,000	\$ 66,231
Total outstanding balance of the loans	—	—
Total unused lines amount	<u>¥ 7,000</u>	<u>\$ 66,231</u>

Note 5: Long-term debt and pledged assets

(a) Long-term debt

Long-term debt as of March 31, 2004 and 2003 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Loans principally from banks due 2004–2010, partially secured	¥26,862	¥28,458	\$ 254,163
Total	26,862	28,458	254,163
Less: Amount due within one year	3,279	8,891	31,026
Total	<u>¥23,583</u>	<u>¥19,567</u>	<u>\$ 223,137</u>

The annual maturities of long-term debt outstanding as of March 31, 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2004	2004
2005	¥3,279	\$ 31,026
2006	7,006	66,289
2007	4,892	46,282
2008	8,119	76,823
2009 and thereafter	<u>3,566</u>	<u>33,743</u>

(b) Pledged assets

A summary of assets pledged as collateral for long-term debt as of March 31, 2004 and 2003, is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Property, plant and equipment (net book value)	¥ 8,007	¥ 14,313	\$ 75,755

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, 2004, the lump-sum severance indemnity plans are applied by the Company and 10 subsidiaries, and the qualified pension plans are applied by the Company and eight subsidiaries. Only the Company applies contributory funded defined benefit pension plans.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2004	2004
Projected benefit obligation	¥28,586		\$270,474
Fair value of plan assets	(6,244)		(59,082)
Unrecognized transitional obligation	(6,248)		(59,117)
Unrecognized actuarial loss	(5,388)		(50,983)
Unrecognized prior service cost	976		9,235
Prepaid pension cost	—		—
Net liability for retirement benefits	¥ 11,682		\$ 110,527

The components of net periodic benefit costs for the year ended March 31, 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2004	2004
Service cost	¥1,032		\$ 9,759
Interest cost	681		6,445
Expected return on plan assets	(123)		(1,167)
Amortization of prior cost (credit)	(20)		(189)
Recognized actuarial loss	679		6,425
Amortization of transitional obligation	656		6,209
Net periodic benefit costs	¥2,905		\$27,482

Assumptions used for the year ended March 31, 2004 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	15 years

Note 7: Contingent liabilities

As of March 31, 2004 and 2003, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Notes discounted with banks	¥545	¥697	\$5,156
Notes endorsed for payment	—	—	—
Guarantees of loans:			
Non-consolidated subsidiaries	—	260	—
Other companies	4	4	34
Employees' housing loans	42	54	398

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, according to stipulations 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) corporate tax (2) enterprise tax and (3) inhabitants' tax, which, in the fiscal year ended March 31, 2003, was 41.8% and 40.5% in the fiscal year ended March 31, 2004.

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

Statutory income tax rate	2004
Reconciliation:	40.5%
Permanent differences of entertainment expenses not deductible, etc.	3.9%
Inhabitant tax equalization	2.1%
Dividend excluded from income	(3.3)%
Unrecognized net operating loss of consolidated subsidiary	10.2%
Effect on deferred tax assets and liabilities of tax rate changes	1.9%
Tax loss carryforwards	(22.7)%
Other	4.6%
Effective income tax rate	37.2%

The significant components of deferred tax assets and deferred tax liabilities recorded on the consolidated balance sheets as of March 31, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2004	2004
Gross deferred tax assets:		
Accrued bonuses	¥ 815	\$ 7,715
Accrued retirement benefits	4,261	40,314
Special repair reserve	1,002	9,481
Loss on evaluation of securities	1,142	10,810
Tax loss carryforward	775	7,333
Other	665	6,291
	8,660	81,944
Valuation allowance for deferred tax assets	(863)	(8,169)
Deferred tax assets	7,797	73,775
Gross deferred tax liabilities:		
Reserve for property, plant and equipment to use taxable merits by Japanese tax law	4,118	38,964
Unrealized gain on securities	2,693	25,484
Other	33	315
Deferred tax liabilities	6,844	64,763
Net deferred tax assets	¥ 953	\$ 9,012

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 fabric. 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 and specialty chemicals.

	Millions of yen						Consolidated
	Textiles	Building Materials	Glass Fiber Products	Real Estate Utilization	Other Operations	Corporate Expenses or Assets or Eliminations	
Year ended March 31, 2003							
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, 2004							
Net sales							
Unaffiliated customers	¥18,320	¥50,031	¥ 41,117	¥ 2,610	¥15,234	¥ —	¥127,312
Intersegment	73	289	911	—	420	1,693	—
Total	18,393	50,320	42,028	2,610	15,654	1,693	127,312
Operating cost and expenses	18,336	49,627	40,877	1,747	14,538	1,064	124,061
Operating income (loss)	57	693	1,151	863	1,116	629	3,251
Identifiable assets	19,133	42,948	47,970	10,305	10,679	30,514	161,549
Depreciation expenses	463	1,533	2,846	611	355	417	6,225
Capital expenditure	126	1,442	1,299	16	207	199	3,289

Year ended March 31, 2004	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	\$173,340	\$473,379	\$389,037	\$ 24,692	\$ 144,130	\$ —	\$1,204,578
Intersegment	691	2,731	8,617	—	3,973	16,012	—
Total	174,031	476,110	397,654	24,692	148,103	16,012	1,204,578
Operating cost and expenses	173,484	469,548	386,766	16,525	137,544	10,049	1,173,818
Operating income (loss)	547	6,562	10,888	8,167	10,559	5,963	30,760
Identifiable assets	181,026	406,363	453,874	97,498	101,044	288,715	1,528,520
Depreciation expenses	4,377	14,508	26,923	5,779	3,356	3,950	58,893
Capital expenditure	1,193	13,642	12,293	148	1,956	1,883	31,115

Note 11: Subsequent event

At the annual shareholders' meeting, which was held by the Company on June 29, 2004, the following appropriation of retained earnings existing as of March 31, 2004 was duly approved.

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2004	2004
Appropriations:		
Cash dividends	¥742	\$7,024
Total	¥742	\$7,024

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, 2004 and 2003, 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, 2004 and 2003, 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 29, 2004

Shin Nihon & Co.

Shin Nihon & Co.

CORPORATE DATA/INVESTOR INFORMATION

(As of March 31, 2004)

Corporate Name Nittobo (Registered as Nitto Boseki Co., Ltd.)
Main Branch Aza Higashi 1, Gonome, Fukushima 960-8161, Japan
Headquarters 4-1-28, Kudankita, Chiyoda-Ku, Tokyo 102-0073, Japan
 Tel: +81-3-3514-8675, 3238-4524
 Fax: +81-3-3514-8681
 URL: <http://www.nittobo.co.jp/>

Date of Establishment April 22, 1918 Fukushima Seiren Seishi K.K.
 April 1, 1923 Company name changed to Nitto Boseki Co., Ltd.
Paid-in Capital ¥19.6 billion
Employees 1,993 (Nonconsolidated)
 4,018 (Consolidated)

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 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 Roppo-cho 210, Inage-ku, 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)

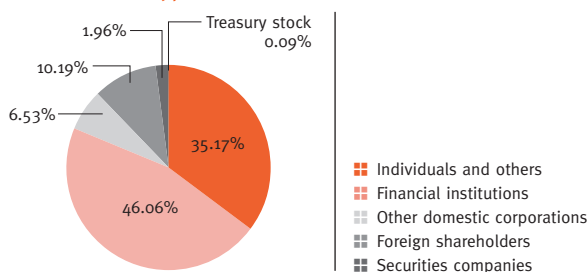
Consolidated Subsidiaries

- 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 14 other companies

Share Information

Total Number of Shares Issued 247,677,560
 Number of Shareholders 29,132

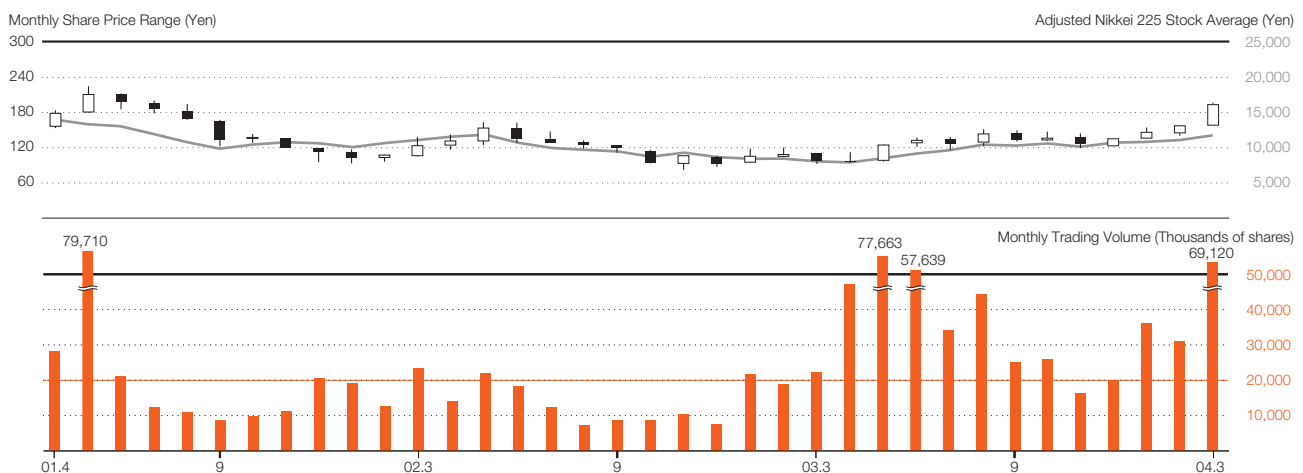
Shareholder Type



Major Shareholders

Name	Number of Shares Held (Thousands of shares)	Percentage of Voting Rights (%)
Japan Trustee Services Bank, Ltd. (Trust accounts)	21,751	8.86
The Master Trust Bank of Japan, Ltd. (Trust accounts)	14,379	5.86
Mizuho Corporate Bank, Ltd.	11,958	4.87
The Chuo Mitsui Trust and Banking Co., Ltd.	9,163	3.73
Nippon Life Insurance Company	9,121	3.72
UFJ Bank Limited	8,291	3.38
The Dai-ichi Mutual Life Insurance Company	6,580	2.68
Sumitomo Life Insurance Company	5,412	2.21
Aioi Insurance Co., Ltd.	4,799	1.96
Nitto Boseki Employee Shareholder Association	3,739	1.52

Share Price Range and Trading Volume



Nittobo

4-1-28, Kudankita,
Chiyoda-Ku, Tokyo 102-0073, Japan
Tel:+81-3-3514-8675, 3238-4524
Fax:+81-3-3514-8681
URL: <http://www.nittobo.co.jp/>



Printed using soy-based ink on 100%
recycled paper.

Printed in Japan