

Nittobo

Leveraging of Our Strengths for Sustainable Growth

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

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Forward-Looking Statements

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

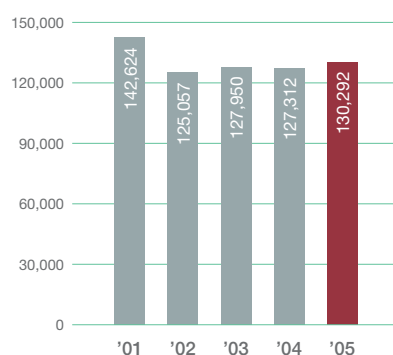
Consolidated Financial Highlights

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Net sales	¥ 130,292	¥ 127,312	\$ 1,213,258
Operating income	6,908	3,251	64,326
Income before income taxes and minority interests	6,471	3,165	60,258
Net income	3,158	1,870	29,404
Total assets	162,904	161,549	1,516,940
Total shareholders' equity	62,128	61,070	578,529
Per share data:			
Net income (Yen/Dollars)	¥ 12.76	¥ 7.56	\$ 0.119
Cash dividend (Yen/Dollars)	3.00	3.00	0.028
Shareholders' equity ratio (%)	38.1	37.8	
Return on equity (%)	5.1	3.1	

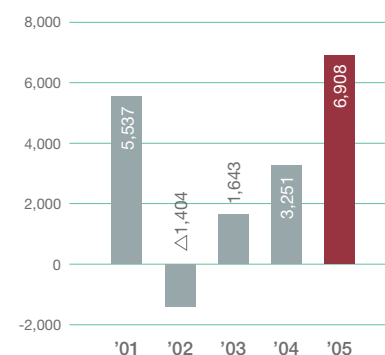
Notes: 1. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥107.39=US\$1 (March 31, 2005).

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

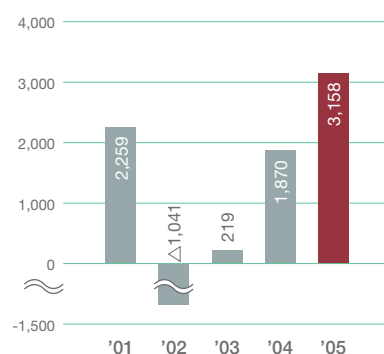
Net Sales (Millions of yen)



Operating Income (Loss) (Millions of yen)



Net Income (Loss) (Millions of yen)



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



To Our Shareholders

In fiscal 2005, the fiscal year ended March 31, 2005, the Japanese economy experienced mixed conditions. In the first half, operating conditions enjoyed a soft recovery on the back of increases in exports, private sector capital expenditure and personal consumption. In the second half, this recovery stalled, impacted by a slump in export activity, inventory adjustments by IT-related fields and the sharp rise in crude oil and other raw material prices.

Against this backdrop, and in the second year of Nittobo's medium-term management plan, the Company continued to implement a variety of measures aimed at restructuring the Group's overall earnings platform. Based on these efforts, Nittobo experienced a year-on-year improvement, buoyed by the relatively favorable glass fiber products business environment.

Katsumi Minamizono
Head of Textiles Division
President and Representative Director
June 2005



Consolidated Business Results

In Japan's textile industry, which is characterized by an increasing shift toward production and sales in China, apparel consumption remained weak. Conditions were exacerbated in the second half by inclement weather, further impacting sales, resulting in an extremely harsh operating environment.

Despite a drop in public sector investment, conditions in the building materials industry tended toward recovery, spurred by a solid increase in housing starts. This reflected measures to reinforce preferential taxation and energy conservation standards. At the same time, positive conditions were fueled by a year-on-year increase in nonresidential construction starts. Earnings, on the other hand, experienced severe downward pressure, owing to the sharp rise in raw material and fuel costs.

While IT-related demand in the glass fiber products business was strong in the first half, conditions took a turn for the worse in the second half as the sector entered an inventory adjustment phase. Overall demand in the industry was steady owing to building and residential demand from the increase in housing starts, positive support from the

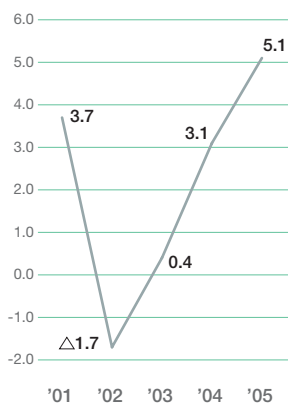
automotive industry and demand for industrial applications.

Against this backdrop, and in the second year of Nittobo's medium-term management plan, the Company continued to implement a variety of measures aimed at restructuring the Group's overall earnings platform. Based on these efforts, Nittobo experienced a year-on-year improvement, buoyed by the relatively favorable glass fiber products business environment.

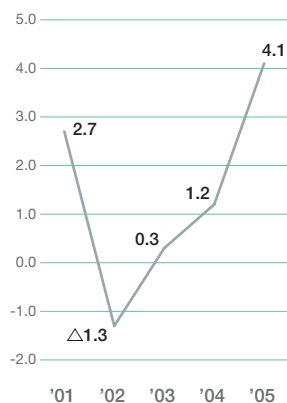
As a result of these and other factors, consolidated net sales edged up 2.3% compared with the previous fiscal year to ¥130,292 million. Operating income surged ¥3,657 million year on year to ¥6,908 million.

Net income was impacted by a number of factors. Nittobo reported an extraordinary profit totaling ¥3,274 million, which included profit on sales of investments in securities of ¥2,982 million. The Company incurred an extraordinary loss amounting to ¥3,455 million, of which ¥2,618 million was attributed to loss on repurchase of land. As a result, net income for the period was ¥3,158 million, an increase of ¥1,288 million compared with the previous fiscal year.

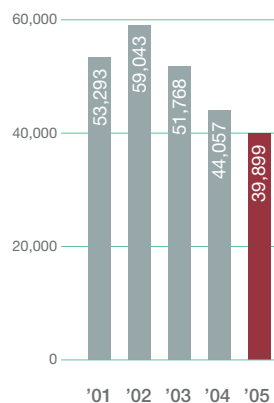
Consolidated ROE (%)



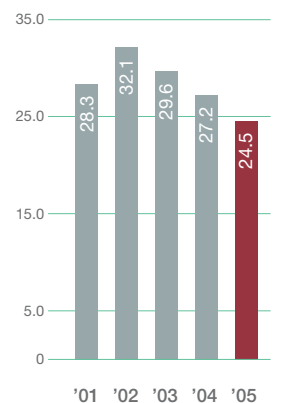
Consolidated ROA (%)



Interest-Bearing Debt
(Millions of yen)



Interest-Bearing Debt Ratio
(%)





Medium-Term Management Plan

Nittobo formulated its three-year management plan, which commenced from the fiscal year ended March 31, 2004, with the aim of reinforcing its business platform. This medium-term plan is founded on six fundamental principles:

- (1) Reducing costs across the board and creating added-value
- (2) Reinforcing existing businesses
- (3) Strengthening domain management
- (4) Enhancing technology and development capabilities
- (5) Cultivating new businesses
- (6) Strictly promoting management efficiency within each business domain by ensuring optimal asset and liability management

Management Policy

As a manufacturer engaged in diverse activities, the Nittobo Group is guided by its underlying corporate mission to secure the confidence of the society that it serves, to ensure its position as a going concern, and to consistently increase its corporate value. To this end, and to address the continued impact of intense global competition, and remain a trusted partner of shareholders, customers, employees, and the communities in which it operates, the Nittobo Group will observe a strict code of corporate conduct that emphasizes open, fair and transparent management, and concern for the global environment.

Corporate Governance and Compliance

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

Nittobo has established the Audit Office as an independent internal audit structure comprising two personnel. The mandate of the internal audit structure is to audit and monitor the execution of business operations Company-wide. Nittobo has also adopted an audit system comprising four corporate auditors, of whom two are external appointments.

Furthermore, we introduced an executive officer system in June 2003, under which all directors hold the concurrent position of executive officer. In an effort to further clarify the distinction between the management and executive functions, and to enhance flexibility and efficiency in Nittobo's business activities and corporate governance, we revised this executive officer system in March 2005. From June 2005, only the President and Vice President shall maintain the concurrent executive officer positions; all other directors shall focus on the decision-making function and supervision of the executive function. Together with corporate auditors and the audit function, Nittobo will work to enhance and reinforce its corporate governance structure.

As part of the Group's efforts to ensure strict internal control, Nittobo formulated its "Mission Statement," "Code of Behavior," and "Rules for Crisis Management." A

Corporate Conduct Committee was also established to promote increased compliance awareness.

Dividend Policy

Nittobo has positioned the appropriate return of profits to shareholders as a key management issue. While considering earnings performance, corporate financial standing, and maintaining an adequate level of retained earnings to meet the Company's working capital and investment needs, Nittobo is committed to a stable dividend to all shareholders. Retained earnings shall be applied toward active investment in business growth, efforts to reduce costs, quality assurance, and business reinforcement. Accounting for these and other factors, Nittobo has decided to pay a cash dividend of ¥3 per common share, unchanged from the previous fiscal year.

Fiscal 2006, Nittobo's 145th accounting period, is the final year of its current three-year medium-term management plan. The Group is unified in its efforts to build a solid business platform to further strengthen and accelerate business operations, and to achieve structural reform of the Group's overall earnings platform.

In closing, pursuant to the Board of Directors' resolution at a meeting held on March 15, 2005, I am honored to accept the appointment as President succeeding Mr. Atsuhiko Sagara. In my capacity as Company President, I will do my utmost to promote and realize Nittobo's established mission

and objectives.

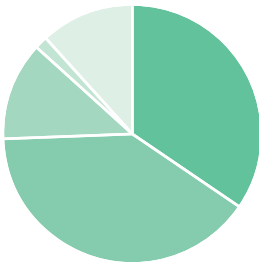
We ask for the continued support and understanding of all stakeholders as we pursue these efforts.



Katsumi Minamizono
Head of Textiles Division
President and Representative Director
June 2005

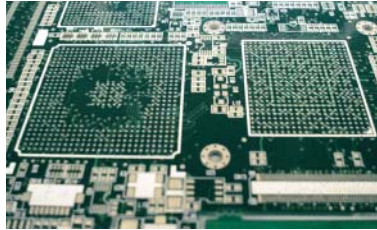
Overview by Segment

Consolidated Net Sales by Segment
Year ended March 31, 2005



■ Glass Fiber Products	34.5%
■ Building Materials	39.9%
■ Textiles	12.3%
■ Real Estate Utilization	1.6%
■ Other Operations	11.7%

Glass Fiber Products Division



- Glass fiber for FRP* and FRTP**
- 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 Material Division



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

Textiles Division



- Yarn (C-S-Y®)
- Textiles
- Interlining and other garments accessories
- Functional Materials
- Nittobo dishcloth

Real Estate Utilization Division



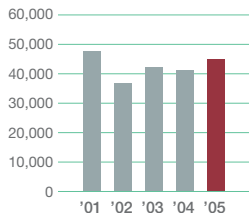
- Real estate operations, sports facilities business
- Nonlife and life insurance agency

Other Operations



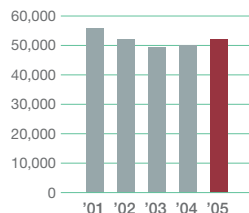
- Medical operations
 - >Clinical diagnostic reagents in biochemistry, hematology and immunology
- Specialty chemical operations
 - >Dye fixative, papermaking additives, metal surface agents, additives for inkjet paper
- Engineering operations
 - >Sound and noise abatement systems, water treatment facilities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

Net Sales (Millions of yen)



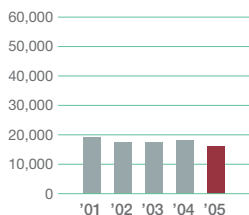
Drawing on its proprietary technology, Nittobo succeeded in the commercial production of glass fiber in 1938 and this acts as the pivotal business in the Company’s diversification strategy. Possessing unrivalled expertise in the production of extra fine glass fiber yarn (continuous glass fiber-type yarn), 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)



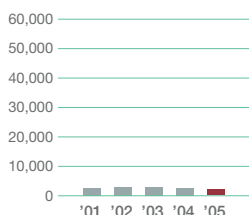
Nittobo was Japan’s first industrial producer of rock wool, commencing commercial activities in 1938. While rock wool still forms the nucleus of the Company’s Building Materials Division, the extensive development of other materials such as glass wool and phenolic resin foam as insulation and acoustic 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 thermal insulation systems for exterior use. All of our products are lifestyle-enhancing.

Net Sales (Millions of yen)



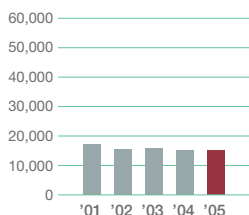
The Textiles Division has occupied a key position in Nittobo’s business activities since the Company’s founding. Using its consistently high level of product development and technical expertise from spinning to apparel, the Company continues to supply quality designs and develop high-value-added, functional, 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)



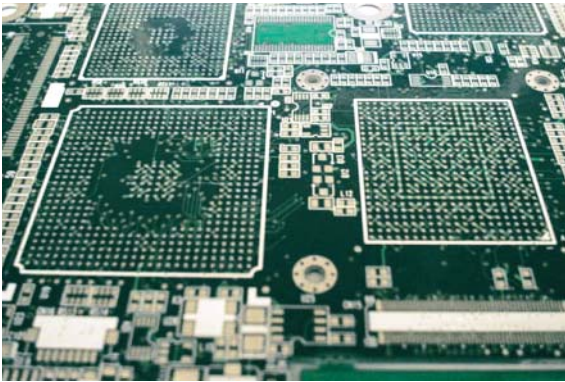
The Real Estate Utilization Division leases office space in the Nittobo Building, an “intelligent” building in Tokyo’s Yaesu business district, and retail space at a mall in Koriyama. In the sports facilities business, Nittobo takes full advantage of its property portfolio, managing a golf driving range, 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 drink, building management, and security operation fields.

Glass Fiber Products Division



Overview

The Glass Fiber Products Division is one of Nittobo's core divisions, and accounted for 34.5% of net sales in the fiscal year ended March 31, 2005. Of its mainstay products, the Company boasts a leading share in Japan of glass fiber yarn and glass fiber fabric for electronic material use. Other products include glass fiber for fiber reinforced plastic (FRP) and fiber reinforced thermoplastic (FRTP) for use in home appliances, electric, and electronic-related components, automobiles, and glass fiber fabric products for construction and civil engineering application.



Tadanori Kitamura

Head of Glass Fiber Products Division
Managing Executive Officer

Operating Results

Business conditions were favorably impacted by Olympic-related demand during the first half as well as robust activity in digital electric home appliances including large plasma and LCD TVs, HDD and DVD recorders, and third-generation (3G) mobile phones. Moreover, demand for replacement PCs and enhancements in automobile applications saw strong growth in the IT sector.

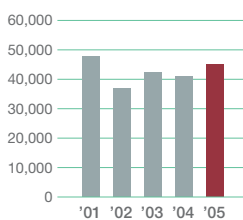
Against this backdrop, and in its glass fiber yarn and fabric (IC cloth) for printed circuit board substrates business, Nittobo recorded strong sales of its high-value-added mainstay products such as ultrathin fabric, smart surface cloth, and fine yarn. Despite a downturn during the second half, prompted by inventory adjustments in principal sectors, strong growth in the first half contributed to a significant increase in earnings.

Results for glass fiber for FRP and FRTP improved dramatically on the back of healthy shipments to major distributors for use in home appliances, electric and electronic-related components, and automobiles. Performance was also boosted by an upward revision in prices, fueled by mid fiscal year robust demand.

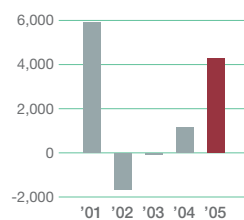
Conditions in the industrial fabric market were essentially unchanged from the previous fiscal year. Sales for mainstay applications such as construction and civil engineering were depressed due to continued restraints on public works. This was more than offset, however, by solid demand for automobile applications and use as architectural membranes.

Accounting for these and other factors, net sales in the Glass Fiber Products Division climbed 9.3% compared with the previous fiscal year to ¥44,958 million. Despite the impact of an increase in raw materials and fuel costs, and spurred by the growth in sales, operating income surged to ¥4,290 million, approximately 3.7 times higher than the previous fiscal year.

Net Sales (Millions of yen)



Operating Income (Loss)
(Millions of yen)



Business Strategy

The Glass Fiber Products Division is affected by substantial and volatile changes in IT-related demand. Accordingly, profit stability is a key concern.

In its glass fiber yarn and fabric for printed circuit board substrates business, Nittobo has introduced high-value-added mainstay products such as fine yarn and ultrathin fabric, which remain resilient to downward pressure on product prices. In addition, the Company is adopting measures to develop innovative products in anticipation of new demand in its IC cloth business, where manufacture of thin fabric exceeds approximately 80% of total production. To further combat concerns relating to profit stability, Nittobo has launched its NE glass fiber with enhanced low dielectric constant in the thin fabric market in expectations of increased demand for high-speed digital communication applications. Through these initiatives, we are leveraging our strength as a comprehensive manufacturer of composite glass materials from yarn development through to fabric processing. On the overseas front, Nittobo is evaluating the benefits of a global production and supply structure. Incorporating the construction of new production facilities, we are looking toward expanding global market share, particularly in China where a substantial increase in demand is forecast. For general-purpose low-count yarn, Nittobo focuses on production at its manufacturing base in Taiwan. Thick and standard fabrics are manufactured in Macau. By optimizing use of its manufacturing network, Nittobo strives for flexible production in line with changes in demand.

Conditions for glass fiber for FRP and FRTP will become increasingly harsh as low-priced imports from China enter the market. To combat this adverse situation, Nittobo is endeavoring to cultivate new markets and products. In particular, the Company is enjoying strong sales of cocoon-shaped cross-sectional glass fiber in the automobile-related

market, prompted by demands for lightweight chassis, and the shift from metal components to glass fiber for FRTP. In addition, we developed a flat cross-sectional glass fiber as the basis for cocoon-shaped cross-sectional glass fiber development. This cross-sectional glass fiber offers an oval aspect ratio of 1:4, and when compared with conventional round-shaped cross-sectional glass fiber offers significant improvements in impact resistance, warpage dimensional stability, and fluidity during injection molding. Nittobo's unrivalled technology has contributed to the manufacture of flat cross-sectional glass fiber and is expected to serve as a driver of future growth.

Currently, industrial fabric accounts for approximately 20% of segment sales. Supported by demand from a variety of fields, however, industrial-use fabric serves an integral role in securing stable profits for the Glass Fiber Products Division. In recent developments, Nittobo acquired the Textoglass business of Kanebo, Ltd. in March 2005, with the aim of further strengthening its business. With access through the Textoglass business to new markets including aircraft, shipping, and welfare, Nittobo estimates an increase in annual sales of approximately ¥3.0 billion. In the future, we will integrate existing products with those recently acquired with the aim of increasing productivity while reducing costs. In addition, we will redouble efforts in product development. In June 2005, Nittobo launched a smokeproof panel for large-scale retail facilities, which is currently in use at a major supermarket complex.

Confronted with a sharp increase in raw material and fuel prices, Nittobo will continue its pursuit of efficient consumption and application. At the same time, we will examine alternative measures and shift to environmentally conscious products such as natural gas after due consideration to costs and other factors.

Topics



Flat Cross-Sectional Glass Fibers

By reducing warpage and improving impact tenacity, Nittobo's proprietary FRTP cocoon-shaped cross-sectional glass fiber offers a host of advantages over the conventional round-shaped cross-sectional glass fiber. The Company is also focusing on sales following product refinement, and the development of a flat cross-sectional glass fiber that offers an oval aspect ratio of 1:4 and new applications. This flat cross-sectional glass fiber boasts extraordinary advances in impact resistance, warpage dimensional stability, and fluidity during injection molding, and is expected to contribute to the development of lightweight automobile components.

Building Materials Division



Toshiaki Ouchi
Head of Building Materials Division
Managing Executive Officer

Overview

Nittobo's Building Materials Division is composed of thermal insulation and sound absorption materials, interior materials, and exterior materials.

The main products in the thermal insulation and sound absorption materials segment are a wide range of rock wool, glass wool, and phenol foam thermal and acoustic insulation materials. In the interior materials segment, the Company offers 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 and exterior thermal insulation systems. In the environmental improvement business, Nittobo is also engaged in the removal of asbestos and dioxins.

Operating Results

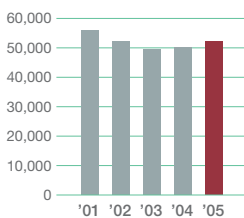
In the fiscal year ended March 31, 2005, the business environment was affected by the continued falloff in public works projects. However, the number of residential housing starts increased compared with the same period last year due to favorable revisions to preferential taxation and energy conservation standards. And certain sections of nonresidential construction starts also increased, showing sign of a pickup partly due to the economic recovery. Despite this overall positive climate, business conditions remained harsh, due to downward pressure on earnings, impacted by the sharp rise in the price of coke and other raw materials and fuels.

In thermal insulation and sound absorption materials, rock wool sales for facility and plant application suffered due to a decline in public works projects. Sales increased for residential applications, however, fueled by the increased acceptance of energy conservation measures. Glass wool sales increased, owing mainly to the increase in residential housing starts and the recovery in nonresidential capital expenditures. As a result, revenues from thermal insulation and sound absorption materials saw a year-on-year increase.

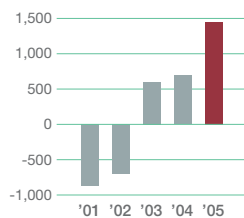
In interior materials, the Company increased the volume of its sales of fireproof acoustic ceiling panels in exports mainly to Korea. On the other hand, domestic sales fell slightly owing to the drop in office building construction starts in Japan. While sales for general floor materials rose due to increased marketing efforts in general-purpose tiles, overall sales of floor materials declined as a result of the decision to terminate OA double-flooring system sales. Accounting for all these factors, revenues decreased in interior materials.

Overall results in exterior materials improved. As a result of the extraordinary impact of typhoons and inclement weather, demand rose significantly for flat and corrugated FRP panels. Sales of exterior thermal insulation systems, a means to address energy conservation concerns, also picked up.

Net Sales (Millions of yen)



Operating Income (Loss) (Millions of yen)



In addition, environmental improvement activities in asbestos and dioxin removal work increased leading to an improvement in sales.

Buoyed by these positive factors, sales for the Building Materials Division rose 4.0% compared with the previous fiscal year to ¥52,028 million. Despite the impact of a sharp increase in raw materials and fuel prices, Nittobo endeavored diligently to reduce plant cost through the enforcement of total productive maintenance (TPM) activities. The Company was also successful in curtailing selling, general and administrative expenses, resulting in improved earnings in each of thermal insulation and sound absorption materials, interior materials, and exterior materials. Accounting for these and other factors, operating income surged approximately 2.1 times year on year to ¥1,454 million.

Business Strategy

The building materials industry in Japan is faced with continuing harsh operating conditions. On the world stage, technological and cost competition is becoming increasingly intense. Faced with these conditions, the Building Materials Division is undertaking simultaneous efforts to improve existing business, as well as develop new businesses and products.

In the area of its existing businesses, the market in Japan offers limited potential for increased demand. Accordingly, Nittobo is focusing on expanding sales overseas, particularly in

Korea, China, Taiwan, and Southeast Asian countries. In terms of expenses, the Company is concentrating on reducing manufacturing and distribution costs. On the manufacturing front, we are conducting a thorough review of the cost of raw materials, suppliers, procurement methods, and every facet of the production process, while implementing TPM activities. For distribution, the Company is taking steps to establish a new distribution system.

Nittobo is also endeavoring to carve out new demand in the building material market by the development of new products, which leads to increased sales. These efforts begin with new products recently launched by the Company including: “Commercetron,” a rock wool ceiling panel for retail stores; “V-Guard,” a rock wool non-wet felted fire-resistant material; “SuperFoam,” a highly functional heat insulation phenolic material; “Olefin,” a polyolefin-based plastic flooring tile; and “Xin Board,” a magnesium cement-based sheet.

In addition, we are working to develop new applications, new fields, and new technologies in rock fiber, in an effort to develop new products. In the development of the new businesses utilizing the Company’s rock wool melting facilities and technologies, Nittobo is further pursuing its materials recycling business, which collects industrial waste generated by the ceramics industry, including asbestos and reuses it to produce rock wool.

Topics



“Commercetron”

In February 2005, Nittobo launched “Commercetron,” a rock wool decorative ceiling panel for use in commercial and retail facilities. “Commercetron” is an all purpose decorative panel that can accommodate any retail environment, from the smallest one square shop to convenience stores, supermarkets, and large-scale shopping complexes. Its distinguished features include: (1) recycling potential during renovation; (2) economical pricing as compared with conventional rock wool ceiling panels; (3) ease of use, a low weight and simplicity of application to ceilings; (4) cost performance, “Commercetron” can reduce heating and cooling costs owing to its thermal insulation properties; (5) convenience and comfort, “Commercetron” effectively suppresses sound, especially the human voice, to provide a relaxing environment for customers; (6) environmentally conscious, “Commercetron” does not use formaldehyde as a base material; and (7) aesthetic appeal, “Commercetron” has a fresh, simple, and attractive surface. With these outstanding qualities, Nittobo is anticipating significant growth through sales in the commercial and retail facility market.

Textiles Division



Overview

Nittobo's Textiles Division is mainly engaged in the manufacture and sale of stretch fabric Core Spun Yarn (C-S-Y®) and adhesive interlining for apparel. Developed over many years from the Company's spinning technology, C-S-Y®, is a product with broad application, and is used as spun yarn, textile, and clothing fabric. Nittobo's interlining products are based on its proprietary dyeing process technology. The development process for interlinings includes raw materials through cutting, sewing, the finished product, and disposal. This product also incorporates concerns for consumption across each step of the manufacturing process.



Hideo Ishimoto

Senior General Manager of Textiles Division
Executive Officer

Operating Results

In the fiscal year ended March 31, 2005, the business environment for textiles was characterized by a fundamental shift in production and sales to China and the continued slump in consumption in Japan. Consumption was further impacted in the second half of the fiscal year by inclement weather, which produced a significant drop in consumption. As a result of these and other factors, conditions in the Textile Division were extremely difficult.

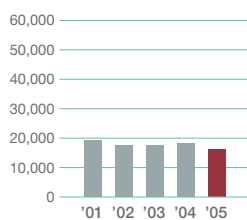
Against this backdrop, sales volumes of C-S-Y® continued their downward spiral as stretch fabrics became more commonplace, products moved away from the use of stretch fabrics, and prices declined. In addition, production adjustments at the Company's Niigata Factory generated an increase in costs. As a result, Nittobo experienced a drop in revenues and earnings in this division.

In adhesive interlinings, sales volumes declined leading to a drop in revenues. This was attributed to the growing trend toward local procurement by sewing operations in China and continued contraction in the market in Japan. Despite efforts to promote highly functional products, sales failed to increase. As a result, overall sales in this segment declined compared with the previous fiscal year.

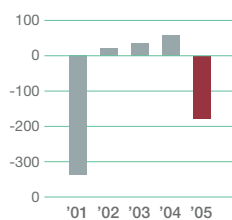
On a positive note, sales volumes at Nittobo (China) Co., Ltd. increased. Net sales, however, were on par with the previous fiscal year reflecting a drop in sales prices. In connection with costs, the company experienced increases in secondary raw materials such as crude oil. This was exacerbated by revision to exports duties and imports, which resulted in an increase in taxes. As a result, earnings for the fiscal year under review declined.

Accounting for these and other factors, sales in the Textiles Division decreased 12.6% to ¥16,009 million. While the Company's domestic sales subsidiary Nippon Haskell Co., Ltd. saw a return to profits, the substantial drop in sales volumes and increase in manufacturing costs contributed to a

Net Sales (Millions of yen)



Operating Income (Loss) (Millions of yen)



decline in earnings. For the fiscal period under review, the Textiles Division incurred an operating loss of ¥177 million, a reversal of ¥234 million.

Business Strategy

Conditions for the fiscal year ending March 31, 2006 are forecast to remain unchanged from the fiscal year under review. Nittobo anticipates extremely harsh conditions for C·S·Y® products, as China's presence in basic materials, including textiles and second-generation products, continues to expand at an increasing pace, and products flow into the domestic market. In downstream markets for adhesive interlinings, apparel, and textile company activities in Japan remain sluggish. Conditions are also characterized by the shift of procurement and manufacturing to China.

Faced with these conditions, Nittobo is committed to rebuilding its manufacturing and sales businesses with the aim of returning to a profit. For the fiscal year ending March 31, 2006, Nittobo is targeting operating income of ¥100 million.

In the textiles market, stretch fabric C·S·Y® has rapidly become more commonplace and low-priced products from China continue to flood Japan's market. This has impacted the price competitiveness of Nittobo's products and results in a drop in sales. This inflow is beginning to taper, however, difficult conditions are forecast for some years into the future. For these reasons, the Company has adopted drastic measures over the past three years including a comprehensive review of measures designed to expand the market, production levels in line with current conditions, and steps to rebuild the Company's manufacturing platform. In this context, Nittobo will scale production at its Niigata Factory to current market needs. In specific terms, from an annual production of 40,000 spindles, the Company will streamline operations to approximately 7% of current output with the aim of achieving better balance between demand and supply. In addition, Nittobo undertook a restructuring of its organization in July 2005 as part of efforts to implement selection and focus

initiatives. With the aim of ensuring prompt delivery in response to customer needs, the Company has streamlined operations integrating into a single products area the previously separated materials and textile-related groups. Throughout the fiscal year ending March 31, 2006, Nittobo will continue to implement extraordinary measures with the aim of cementing a platform capable of securing profits and a reduction in costs.

Nittobo has also taken steps since fiscal 2004 to reorganize its manufacturing and sales structure in the apparel interlining business. The Company's principal manufacturing factory, Itami Production Center, has been reorganized and concentrates on the manufacture of adhesive interlinings. Strengthening the overall control of manufacturing to secure prompt delivery in response to customer needs, development, and distribution functions, front-end processes were transferred to subsidiary company Bunkyo Seiren Co., Ltd. in December 2004. Furthermore, Nittobo stepped up collaboration with Nippon Haskell becoming responsible for the marketing and sales function. Through these measures, completed in fiscal 2004, the Company reinforced its Group management structure creating a platform capable of Group-wide cost reduction. In the fiscal year ended March 31, 2005, Nippon Haskell recorded a profit compared with the loss in the previous fiscal year. This turnaround is in part a measure that the Company is on track with those measures implemented to date.

Nittobo is confident the platform is in place for market growth in China. Despite a decline in interlining profits at Nittobo (China) sales volumes increased. In the future, the Company plans to adopt measures to expand sales in China. In this regard, we will bolster local marketing sales utilizing production scale of approximately 2,000,000m per month. Leveraging the channels established through its interlining business, and effectively utilizing its marketing offices in Hong Kong and Shanghai, Nittobo is looking to secure a foothold in China in the market for C·S·Y®.

Topics

Functional Materials

In April 2005, Nittobo spun off its functional materials business as an independent operation. Leveraging the technology accumulated in adhesive interlining activities, this business will strive to cultivate business in a variety of fields including apparel materials as well as in industrial material areas. In care seats, Nittobo is anticipating market growth particularly in automobile-related areas such as plastic film and Spunfab-shaped adhesive materials. Furthermore, in the glass fiber products, building materials, and other businesses, Nittobo will promote increased collaboration in an effort to develop new materials and products and to cultivate new markets.

Real Estate Utilization Division



Overview

In the Real Estate Utilization Division, Nittobo strives for the efficient application of its land and property holdings. The Division is engaged 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 located in Yaesu, Tokyo. In store leasing operations, we offer retail space in commercial facilities, mainly at The Mall Koriyama, formerly the site of our Koriyama Plant. In sports facilities, Nittobo manages the Atago Golf Garden, located on its former Shizuoka Plant site and the Renaissance Fukushima comprehensive sports club, on the site of its Fukushima Plant.



Toru Dogakinai
 Head of New Business Operation
 & Promotion Division
 Managing Executive Officer

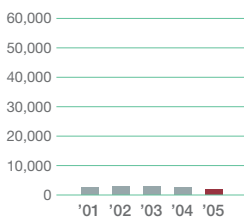
Operating Results

Results in the sports facilities business were steady buoyed by the stable base of existing members and various measures to attract new customers. In office building leasing, however, sales declined, impacted by prolonged weakness in leasing markets and tenant turnover throughout the period. Accounting for these factors, and the affect of withdrawal from the commercial facility Suzuka Saty in December 2003, sales in the Real Estate Utilization Division fell 18.8% compared with the previous fiscal year to ¥2,120 million, while operating income dropped 30.9% to ¥597 million.

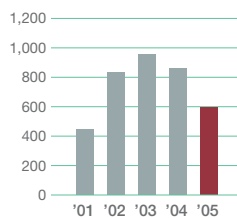
Business Strategy

While the Company’s primary business is mainly in the manufacturing sector, Nittobo’s operations in sports facilities, office building leasing, insurance services, and other businesses, continue to grow at a steady pace. In the future, we will step up efforts to improve service quality, enhance customer satisfaction, and bolster performance. In connection with the Company’s idle land, Nittobo will consider future application based on due diligence and an assessment of operating conditions.

Net Sales (Millions of yen)

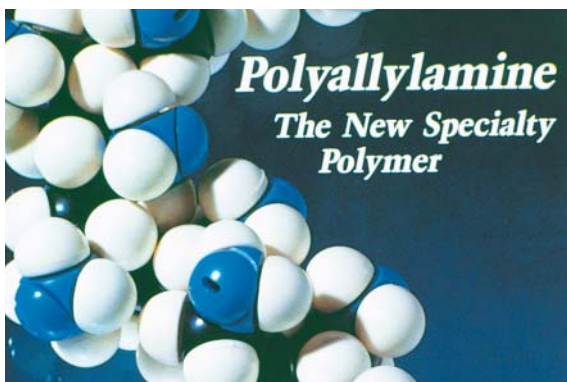


Operating Income (Millions of yen)



Nittobo Building located in Yaesu, Tokyo

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 plant engineering and sound suppression for highways, based on rock wool and glass wool know-how and technology accumulated over many years.

This segment also includes businesses in the fields of beverages, building maintenance and security.

Operating Results

In the field of clinical diagnostic reagents, the Medical Division confronted difficult conditions characterized by a drop in drug prices and analysis fees and increasing competition among manufacturers fueled by efforts at hospitals to improve management efficiency. Against this backdrop, the Division recorded an increase in sales mainly from the export of diagnostic reagents. Impacted by the increase in competition, diagnostic methods experienced significant change. Pressure mounted for more potent reagents, significantly affecting sales of antiserum materials, which resulted in a drop in earnings.

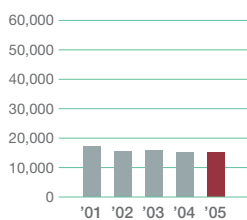
In functional-polymer products of our specialty chemicals operations, sales were slightly down in dye fixatives. This, however, was offset by growth in products for home use, resulting in an increase in both revenues and earnings. The term of an overseas License Patent relating to the manufacture of Polyallylamine hydrochloride (PAA) in the US and Europe ceased in March 2005.

Engineering operations sales fell slightly compared with the previous year. Despite an increase in sales for industrial machinery-related products due to the completion of large-scale plants, results from sound suppression products and highway sound barriers were impacted by the continued slump in public works projects and the decline in the number of construction projects and prices. Despite these conditions, Nittobo strove to streamline costs in industrial machinery-related operations and to curtail expenses on a project basis for sound suppression products. Furthermore, withdrawal from the shield construction sound insulation business in the previous fiscal year contributed to an increase in earnings.

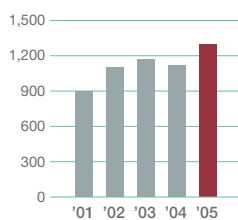
In beverage operations, sales in the first half were robust reflecting the intense summer conditions. In the second half, however, sales declined due to inclement weather. Results were also impacted by the withdrawal of Nitto Foods Ltd. in February 2005. As a result food and beverage operations reported a drop in revenues and earnings.

As a result of all these and other factors, sales in the other operations segment edged down 0.4% year on year to ¥15,177 million. Operating income, on the other hand, rose 16.0% to ¥1,295 million reflecting improvements in the engineering business.

Net Sales (Millions of yen)



Operating Income (Millions of yen)



Business Strategy

In June 2005, Nittobo consolidated its Real Estate Utilization Division with the Medical, Specialty Chemicals, Engineering, and Other activities of Other Operations to form the New Business Operation & Promotion Division. The objective of the Company is to nurture these activities and establish a fourth pillar of business on par with its mainstay divisions of Glass Fiber Products, Building Materials, and Textiles. Leveraging its strengths in manufacturing, Nittobo will endeavor to reinforce efficacy and its capabilities in marketing. Considering all avenues, including the possibility of M&A, the Company will work to expand its activities in the Medical, Specialty Chemicals, and Engineering business domains.

At the same time, we established the New Business Promotion Office within the New Business Operation & Promotion Division. This office will collaborate with the development personnel and research facilities of each of the Company's operating divisions, and the research departments of public institutions and the private sector with the aim of cultivating new businesses.

• Medical Division

Boasting established platform technologies at both the academic and technical levels in biochemistry and immunology, the Medical Division is focusing its attention on the gene technology research and development theme. Through academic-industry cooperation, Nittobo has developed the technology to extract the features and characteristics of beneficial protein through genetic modification. The Company is now pursuing proprietary production as it moves toward commercial application. In these endeavors, Nittobo is not burdened with additional capital expenditure, utilizing existing facilities for production. These efforts are expected to provide annual earnings of approximately ¥100 million. In addition, as the Company increases its capabilities in drug development, expansion into new business fields is anticipated. The benefits of proprietary production are scheduled to arise in the second half of fiscal 2005.

• Specialty Chemical Operations

In the field of water-soluble polymers (polyallylamine (PAA) and polyaminesulfone (PAS)), where commercial production is considered impossible, Nittobo is pursuing efforts to develop products that fully utilize the superior properties of PAA and PAS such as antibacterial activity, formalin

absorbency, and metal collectibility. Specifically, the Company is looking to enhance properties and produce hybrid functions through polymerization with other substances.

In PAS and PAA activities, Nittobo has structured development toward application as dye fixatives; corrosion inhibitor for steel plates; flocculant agents; and inkjet fixatives. The Company has attained a top share in each of these areas. In the future, we will work to further enhance functions through combination with other substances, produce hybrid products, and further expand applications, leveraging the properties of water-soluble polymers.

• Engineering Operations

Highway-related public works projects currently face harsh conditions. Accordingly, Nittobo is confronted with significant pressures to review its sound absorption panel business for the traditional engineering field. Against the backdrop of severe operating conditions, the Company commenced sales of "Nittobo aestuver T," a fireproof board for tunnels from March 2005, and is working to expand business in areas other than civil engineering. In addition, Nittobo is developing new products that address market needs such as Dephond® Ceramics, an attractive, easy-to-maintain ceramic noise-absorption panel, polycarbonate transparent soundproofing, and other materials. In audio materials, the Company established a new audio research facility in July 2005 and is conducting research in sound insulation and absorption, and electromagnetic wave absorption. Nittobo is also entering new fields in the automobile industry through efforts to expand existing businesses and to develop systems in sound source search and noise identification.



Clinical diagnostic reagents

Corporate Governance and Compliance

Corporate Governance

Basic Policy

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

Corporate Governance Structure

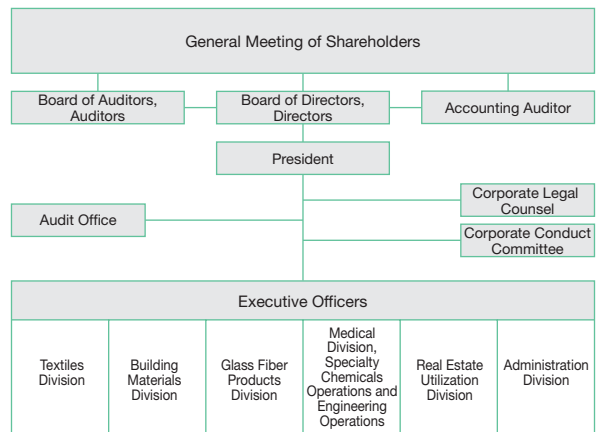
Nittobo has established an Audit Office as an independent internal audit structure comprising two personnel. The mandate of the internal audit structure is to audit and monitor the execution of Company-wide business operations. Nittobo has also adopted an audit system comprising four corporate auditors, of whom two are external appointments.

Furthermore, we introduced an executive officer system in June 2003, under which all directors hold the concurrent position of executive officer. In an effort to further clarify the distinction between the management and executive functions, and to enhance flexibility and efficiency in Nittobo's business activities and corporate governance, we revised this executive officer system in March 2005. From June 2005, only the President and Vice President shall maintain the concurrent executive officer positions; all other directors shall focus on the decision-making function and supervision of the executive function. The Board of Directors is therefore composed of six members, including two executive officers, and together with the audit function of corporate auditors, will work to enhance and reinforce corporate governance structure.

Compliance

As part of the Group's efforts to ensure strict internal control, Nittobo formulated its "Mission Statement," "Code of Behavior," and "Rules for Crisis Management." In efforts to expand our follow up structure, a Corporate Conduct Committee was established to strengthen implementation of measures and promote increased compliance awareness.

In addition, we also receive guidance from our corporate legal counsel regarding compliance related matters.



Supervision of the executive function and internal control systems

Directors, Corporate Auditors and Executive Officers



Katsumi Minamizono
(President)

Yoshitada Shiratori
(Vice President)

Directors	<i>President</i>	Katsumi Minamizono*
	<i>Vice President</i>	Yoshitada Shiratori*
	<i>Directors</i>	Manabu Kitahara
		Hiroaki Wada
		Masahiro Kotani
Corporate Auditors	<i>Full-Time Auditors</i>	Hideo Kanatani
		Koji Otsuka
	<i>Auditors</i>	Hiroshi Nakamura**
		Keisuke Sasahara**
Executive Officers	<i>Managing Executive Officers</i>	Toru Dogakinai
		Toshiaki Oouchi
		Tadanori Kitamura
	<i>Executive Officers</i>	Fumio Nagamine
		Hideo Ishimoto
		Shizuo Tada
		Kohji Tanaka

* Representative Director also holding 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
	2005	2004	2003	2002	2001	2000	2005
Years ended March 31							
Net sales	¥130,292	¥127,312	¥127,950	¥125,057	¥142,624	¥136,023	\$1,213,258
Cost of goods sold	99,528	99,923	101,805	100,967	110,828	107,266	926,794
Selling, general and administrative expenses	23,856	24,138	24,502	25,494	26,259	26,470	222,138
Operating income (loss)	6,908	3,251	1,643	(1,404)	5,537	2,287	64,326
Income (loss) before income taxes and minority interests	6,471	3,165	2,316	(1,180)	3,439	2,210	60,258
Income taxes	3,187	1,177	2,003	440	1,846	1,413	29,676
Net income (loss)	3,158	1,870	219	(1,041)	2,259	1,325	29,404
Total assets	162,904	161,549	174,103	182,965	187,675	172,857	1,516,940
Total shareholders' equity	62,128	61,070	59,832	61,011	60,951	59,963	578,529
Capital expenditure	9,994	3,289	2,773	7,473	14,861	5,049	93,063
Depreciation expenses	5,457	6,225	7,496	7,864	7,061	6,690	50,813
Per share data:							
Net income (loss)							
(Yen/Dollars)	¥ 12.76	¥ 7.56	¥ 0.88	¥ (4.20)	¥ 9.12	¥ 5.35	\$ 0.119
Cash dividend (Yen/Dollars)	3.00	3.00	3.00	3.00	3.00	3.00	0.028
Shareholders' equity ratio (%)	38.1	37.8	34.4	33.3	32.5	34.7	
Return on equity (%)	5.1	3.1	0.4	(1.7)	3.7	2.2	

Notes: 1. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥107.39=US\$1.

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

Consolidated Financial Review

SCOPE OF CONSOLIDATION

The accompanying consolidated financial statements have been prepared from accounting records maintained by Nitto Boseki Co., Ltd. ("Nittobo" or "the Company"), its 25 consolidated subsidiaries, and two affiliates accounted for by the equity method.

NET SALES

Consolidated net sales for fiscal 2005, the fiscal year from April 1, 2004 through March 31, 2005, amounted to ¥130,292 million, an increase of 2.3% compared with the previous fiscal year. Despite a drop in segment sales in the Textiles and Real Estate Utilization Divisions, results in the Building Materials Division, particularly for thermal insulation and acoustic materials were strong. Sales in the Glass Fiber Products Division also rose significantly, buoyed by robust demand from the PC, digital home appliance, and automobile sectors.

SEGMENT INFORMATION

Glass Fiber Products Division

Results in the Glass Fiber Products Division were mixed. In the first half, Nittobo experienced an upsurge in sales of high-value-added glass fiber yarn and fabrics for printed circuit boards as a result of special demand from the Athens Olympics and robust IT-related demand for PCs, digital home electronics and automobiles. In the second half, however, the Company confronted an adjustment period placing downward pressure on demand and sales.

Shipments of glass fiber for reinforced plastics were strong, particularly for principal customers in the household appliances, electrical and electronic devices, and automobile sectors. These factors coupled with a revision to sales prices, revenues from product sales climbed year on year.

While sales of industrial-use fabrics to the mainstay construction and civil engineering sectors were slow due to sluggish public sector investment, overall segment sales improved, fueled by demand for use in automobiles and architectural membranes.

Accounting for these factors, sales in the Glass Fiber Products Division rose 9.3% year on year to ¥44,958 million. Despite the impact of rising raw material and fuel costs, this segment continues to experience an upward trend.

Building Materials Division

Sales of thermal insulation and sound absorption materials increased compared with the previous fiscal year. Despite difficult conditions for rock wool used in facilities and plants, due to the downturn in public sector investment, sales were strong for residential use reflecting the further implementation of energy conservation requirements. In addition, sales volumes of glass wool were boosted by the increase in residential housing starts and an upswing in capital investment in the commercial sector.

In the field of interior decorating materials, exports of fireproof sound absorption ceiling panels primarily to Korea improved. This, however, was offset by weak domestic sales owing to the decline in construction starts for office buildings. As a result of these factors, sales of fireproof sound absorption ceiling panels edged up slightly on a fiscal year-on-year basis. Sales of floor materials increased attributed to vigorous marketing efforts in connection with general-purpose tiles. Sales of office automa-

tion (OA) double-deck flooring systems, on the other hand, declined, owing to the suspension of sales and marketing activities.

In external building materials, Nittobo enjoyed an upswing in overall results. Sales of flat and corrugated fiber panels rose significantly due to the impact of typhoons and the resultant surge in demand. Results were also bolstered by contributions from external thermal insulation systems owing to environmental concerns and measures to promote energy conservation.

In its push into new businesses, the Company experienced gains in environmentally conscious activities.

Incorporating varied results from each of its product lines, sales in the Building Materials Division grew 4.0% compared with the previous fiscal year to ¥52,028 million. While the Company experienced a sharp rise in the cost of coke and other raw material and fuel costs, overall results exhibited an upward trend.

Textiles Division

Sales of the Company's fabrics fell sharply due to continued difficult operating conditions. While the use of stretch fabrics became more common, results were impacted by the oversupply of stretch fabric Core Spun Yarn (C·S·Y®), the flood of finished product imports into the market, and the significant drop in sales prices. Conditions were exacerbated by the slump in textile exports.

Despite efforts to expand sales of new products, particularly those of high-value-added and highly functional items, sales of adhesive interlinings for apparel declined year on year. While local procurement in China continued to advance, the domestic markets suffered from an ongoing decline in demand.

Turning to China, sales volumes by Nittobo (China) were up. Sales, however, remained on par with the previous year, reflecting the drop in sales prices throughout the period.

Accounting for all these factors, sales in the Textiles Division deteriorated 12.6% year on year to ¥16,009 million with a comparable drop in earnings.

Real Estate Utilization Division

In the fiscal year under review, the Company continued to implement a variety of initiatives to boost customer numbers in the Sports Facilities Business. As a result, existing customers remained stable with a positive trend in new customer patronage.

In real estate operations, the rental market for office buildings remained weak. Coupled with tenant turnover, sales in this field declined.

Results were particularly impacted by the closure of the Suzuka Saty commercial rental facility. Accordingly, sales of the Real Estate Utilization Division fell 18.8% to ¥2,120 million, with a drop in operating income.

Other Operations

In medical operations, competition among producers of clinical diagnostic reagents intensified due to a drop in reagent prices and clinical diagnostic fees as well as streamlining of hospital management. Against this backdrop, sales in this area expanded, underpinned primarily by strong export activity.

Specialty Chemicals Operations experienced an overall increase in sales. This can be attributed to growth in sales of products for household use, which compensated for the drop in sales

of dye fixatives.

Sales declined slightly in engineering operations. While results were favorable for industrial machinery-related products owing to the completion of large-scale plants, this was offset by weak results in construction works relating to highway sound suppression products and acoustic engineering.

Sales in the PET-bottled beverage business were mixed. In the first half, results surged, buoyed by heat wave conditions. The second half, however, saw inclement weather, which contributed to a drop in overall sales.

As a result of these factors, sales in the Other Operations segment edged down 0.4% to ¥15,177 million. Operating income trended upward driven by improvements in the engineering business.

OPERATING EXPENSES, OPERATING INCOME

Gross profit for the fiscal year under review increased 12.3% year on year to ¥30,764 million. Despite the impact of a sharp increase in raw material and fuel costs in the Building Materials and Glass Fiber Products Divisions, the cost of goods sold fell below the previous fiscal year's level totaling ¥99,528 million for the fiscal year under review. This favorable result was due to cuts in manufacturing costs in the Building Materials Division and substantial improvements in operating capacity due to increased demand for IT-related high-value-added products in the Glass Fiber Products Division.

In addition, selling, general and administrative expenses were ¥23,856 million, a light improvement year on year. As a result, operating income more than doubled compared with the previous fiscal year and amounted to ¥6,908 million, up 112.5% year on year.

OTHER INCOME, OTHER EXPENSES, INCOME BEFORE INCOME TAXES, MINORITY INTERESTS, AND EQUITY IN EARNINGS OF AFFILIATES

Principal items in other income and expenses included interest and dividend income and interest expenses. The Company also reported extraordinary items as well as equity in earnings of affiliates. In specific terms, Nittobo enjoyed an extraordinary profit on sales of investments in securities of ¥2,982 million. On the debit side, the Company incurred an extraordinary loss of ¥2,618 million, representing land repurchase payment in connection with a long-term property development agreement executed by Nittobo with the Organization for Promoting Urban Development.

Buoyed by the return to profits by affiliated companies, the Company recorded equity in earnings of affiliates totaling ¥495 million for the period under review.

As a result of these factors, income before income taxes, minority interests, and equity in earnings of affiliates amounted to ¥6,471 million, an increase of 104.5% compared with the previous fiscal year.

NET INCOME

Corporate, enterprise, and inhabitants' tax, together with the application of tax-effect accounting, resulted in a tax expense including deferred income taxes of ¥3,187 million, a year-on-year increase of ¥2,010 million. This represented a ratio of taxes to in-

come before income taxes, minority interests, and equity in earnings of affiliates of 49.3%, up from 37.2% in the previous fiscal year. This was attributed to improved probability of recovering losses in connection with the repurchase of land. As a result, net income for the period jumped ¥1,288 million to ¥3,158 million.

FINANCIAL POSITION

As of March 31, 2005, total assets stood at ¥162,904 million, an increase of ¥1,355 million compared with the end of the previous fiscal year. In current assets, the year-end balance of cash and cash equivalents rose due to improved profit and the liquidation of certain receivables. As of the fiscal year-end, current assets climbed ¥3,003 million to ¥90,735 million reflecting inventory buildup from the increase in net sales. In property, plant and equipment, capital investments climbed ¥6,706 million to ¥9,994 million, which included the aforementioned repurchase of land. On the other hand, Nittobo undertook sales of investments in securities, resulting in a decrease of ¥2,757 million. As a result, the total of net property, plant and equipment and total investments and other assets declined ¥1,648 million for a year-end balance of ¥72,169 million.

Current liabilities stood at ¥55,370 million, an increase of ¥4,063 million. Principal components included a drop in short-term bank loans, and increases in both notes and accounts payable as well as current portion of long-term debt. Long-term liabilities fell ¥3,872 million to ¥43,814 million owing mainly to the repayment of ¥5,069 million of long-term debt.

Shareholders' equity as of March 31, 2005, stood at ¥62,128 million, an improvement of ¥1,058 million compared with the previous fiscal year-end. Major components were retained earnings, which climbed ¥2,415 million due to the increase in net income, and a decline of ¥1,261 million in unrealized gain on securities. As a result of these factors, the shareholders' equity ratio was 38.1%, up from 37.8% at the end of the previous fiscal year.

CASH FLOWS

Net cash provided by operating activities during the fiscal year under review totaled ¥11,092 million, an increase of ¥7,069 million compared with fiscal 2004. The major components were income before income taxes of ¥6,471 million, which more than doubled from the previous fiscal year, increases in each of the Company's reserves and allowances, a drop in trade receivables, and an increase in trade payables.

During the fiscal year under review, Nittobo recorded proceeds from the sale of investment securities. At the same time, the Company undertook payments for the purchase of tangible fixed assets including the repurchase of land. As a result, net cash used in investing activities amounted to ¥4,487 million, a turnaround of ¥6,950 million, from net cash provided by investing activities in the previous fiscal year.

Net cash used in financing activities totaled ¥4,360 million, down ¥3,836 million year on year. In an effort to reinforce its financial standing, Nittobo continued to undertake repayments of interest-bearing liabilities including both short-term bank loans and long-term debt. The level of debt reduction, however, was less than in the previous fiscal year.

Accordingly, cash and cash equivalents at the end of the fiscal year amounted to ¥23,571 million, a net increase of ¥2,247 million.

Consolidated Financial Data

Consolidated Balance Sheets

Nitto Boseki Co., Ltd., and Consolidated Subsidiaries As of March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 23,740	¥ 21,524	\$ 221,063
Receivables—Trade and others:			
Notes and accounts	40,268	40,210	374,967
Non-consolidated subsidiaries and affiliates	963	2,018	8,974
Less: Allowance for doubtful accounts	(186)	(294)	(1,735)
Inventories (Note 3)	24,128	22,529	224,674
Deferred tax assets (Note 10)	1,437	1,329	13,381
Prepaid expenses and other current assets	385	416	3,583
Total current assets	90,735	87,732	844,907
Property, plant and equipment (Note 5):			
Land	17,567	15,745	163,579
Buildings and structures	53,238	53,181	495,745
Machinery and equipment	111,534	110,929	1,038,591
Construction in progress	989	478	9,215
Less: Accumulated depreciation	(128,603)	(126,784)	(1,197,536)
Net property, plant and equipment	54,725	53,549	509,594
Investments and other assets:			
Investments in securities (Note 6)	11,071	13,816	103,095
Investments in and advances to non-consolidated subsidiaries and affiliates	380	553	3,542
Deferred tax assets (Note 10)	1,786	1,400	16,630
Other assets	4,207	4,499	39,172
Total investments and other assets	17,444	20,268	162,439
Total assets	¥ 162,904	¥ 161,549	\$ 1,516,940

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans (Note 4)	¥ 13,961	¥ 16,650	\$ 130,001
Current portion of long-term debt (Note 5)	7,425	3,279	69,140
Payables—Trade and others:			
Notes and accounts	24,869	22,795	231,574
Non-consolidated subsidiaries and affiliates	436	497	4,064
Income taxes payable (Note 10)	2,418	1,977	22,516
Deferred tax liabilities (Note 10)	27	19	254
Accrued expenses and other current liabilities	6,234	6,090	58,050
Total current liabilities	55,370	51,307	515,599
Long-term liabilities:			
Long-term debt, less current portion (Note 5)	18,514	23,583	172,399
Accrued retirement benefits (Note 7)	12,733	11,681	118,568
Deferred tax liabilities (Note 10)	886	1,757	8,248
Other long-term liabilities	11,681	10,665	108,777
Total long-term liabilities	43,814	47,686	407,992
Minority interests in consolidated subsidiaries	1,592	1,486	14,820
Contingent liabilities (Note 8)			
Shareholders' equity (Notes 9 and 14):			
Common stock, no par value in 2005 and 2004:			
Authorized—400,000,000 shares			
Issued: 2005 and 2004—247,677,560 shares	19,699	19,699	183,437
Additional paid-in capital	23,062	23,058	214,755
Retained earnings	17,792	15,377	165,676
Unrealized gain on securities	2,695	3,956	25,092
Foreign currency translation adjustments	(1,075)	(996)	(10,012)
Less: Treasury stock, at cost			
314,362 shares in 2005 and 218,631 shares 2004	(45)	(24)	(419)
Total shareholders' equity	62,128	61,070	578,529
Total liabilities and shareholders' equity	¥162,904	¥161,549	\$1,516,940

Consolidated Statements of Income

Nitto Boseki Co., Ltd., and Consolidated Subsidiaries For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Net sales	¥130,292	¥127,312	\$1,213,258
Cost of goods sold	99,528	99,923	926,794
Gross profit	30,764	27,389	286,464
Selling, general and administrative expenses	23,856	24,138	222,138
Operating income	6,908	3,251	64,326
Other income (expenses):			
Interest and dividend income	175	112	1,629
Interest expenses	(755)	(898)	(7,036)
Gain on sale of tangible fixed assets, net	220	344	2,051
Equity in earnings of affiliates	495	(15)	4,621
Others, net	(572)	371	(5,324)
	(437)	(86)	(4,068)
Income before income taxes and minority interests	6,471	3,165	60,258
Income taxes (Note 10):			
Current	3,685	3,010	34,313
Deferred	(498)	(1,833)	(4,637)
	3,187	1,177	29,670
Income before minority interests	3,284	1,988	30,582
Minority interests	126	118	1,178
Net income	¥ 3,158	¥ 1,870	\$ 29,404
		Yen	U.S. dollars (Note 1)
Per share of common stock:			
Net income	¥ 12.76	¥ 7.56	\$ 0.119
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, 2005 and 2004

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, 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)
Net income	—	—	—	3,158	—	—	—
Cash dividends	—	—	—	(743)	—	—	—
Others—net	—	—	4	—	(1,261)	(79)	(21)
Balance as of March 31, 2005	247,678	¥19,699	¥23,062	¥17,792	¥ 2,695	¥(1,075)	¥(45)

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, 2004	\$183,437	\$214,716	\$143,184	\$ 36,838	\$ (9,274)	\$(229)
Net income	—	—	29,404	—	—	—
Cash dividends	—	—	(6,912)	—	—	—
Others—net	—	39	—	(11,746)	(738)	(190)
Balance as of March 31, 2005	\$183,437	\$214,755	\$165,676	\$ 25,092	\$(10,012)	\$(419)

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, 2005 and 2004

Thousands of
U.S. dollars
(Note 1)

	Millions of yen		2005
	2005	2004	
Cash flows from operating activities:			
Income before income taxes	¥ 6,471	¥ 3,165	\$ 60,258
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	5,457	6,224	50,813
Interest and dividend income	(175)	(112)	(1,630)
Interest expenses	755	899	7,036
Loss (gain) on sales or write-down on securities	(2,849)	(938)	(26,526)
Loss (gain) on sales and disposal of tangible and intangible assets	2,631	4,446	24,501
Decrease in trade receivables	1,032	381	9,609
(Increase) decrease in inventories	(1,657)	1,633	(15,431)
Increase (decrease) in trade payables	1,079	(557)	10,044
Increase in retirement benefits	1,052	998	9,791
Others	789	(8,176)	7,351
Interest and dividend income received	511	205	4,761
Interest expenses paid	(748)	(894)	(6,969)
Income taxes paid	(3,256)	(3,251)	(30,317)
Net cash provided by operating activities	11,092	4,023	103,291
Cash flows from investing activities:			
Decrease in time deposit	31	569	284
Capital expenditure	(8,642)	(2,258)	(80,471)
Proceeds from sale of properties	406	2,166	3,785
Purchase of investment securities	(52)	(520)	(490)
Proceeds from sale of investment securities	3,740	1,783	34,828
Others	30	723	275
Net cash (used in) provided by investing activities	(4,487)	2,463	(41,789)
Cash flows from financing activities:			
(Decrease) in short-term bank loans	(2,652)	(5,823)	(24,699)
Proceeds from long-term debt	2,450	8,000	22,814
Repayments on long-term debt	(3,374)	(9,575)	(31,416)
Cash dividends by the Company	(743)	(792)	(6,918)
Others	(41)	(6)	(382)
Net cash (used in) financing activities	(4,360)	(8,196)	(40,601)
Effect of exchange rate changes on cash and cash equivalents	2	(33)	17
Net increase (decrease) in cash equivalents	2,247	(1,743)	20,918
Cash and cash equivalents at beginning of year	21,324	23,067	198,571
Cash and cash equivalents at end of year	¥23,571	¥21,324	\$219,489

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 ¥107.39 to US\$1, prevailing on March 31, 2005, 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 25 significant subsidiaries (the "Companies"):

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

The name of Nitto Hanbaisho Co., Ltd. was changed to Nittobo Ecology Co., Ltd. as of April 1, 2004.

Nitto Beverage Co., Ltd. absorbed Sansys Bottle Co., Ltd. as of April 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.

The equity method is being applied to two affiliate companies, namely Decolanitto Corporation and NITTOBO ASCO Glass Fiber Co., Ltd. 18 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)
	2005	2004	2005
Cash and cash equivalents	¥23,740	¥21,524	\$221,063
Less—time deposits with maturities over three months	(169)	(200)	(1,574)
Add—short-term investments with original maturities within three months	—	—	—
Total	¥23,571	¥21,324	\$219,489

(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, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Finished goods	¥10,816	¥ 9,907	\$100,718
Work in process	3,466	3,185	91,678
Raw materials and supplies	9,846	9,437	32,278
Total	¥24,128	¥22,529	\$224,674

Note 4: Short-term bank loans

The weighted average interest rates on these loans were 1.38% and 1.51% as of March 31, 2005 and 2004, 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, 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Total amount of credit lines	¥5,000		\$46,559
Total outstanding balance of the loans	—		—
Total unused lines amount	¥5,000		\$46,559

Note 5: Long-term debt and pledged assets

(a) Long-term debt

Long-term debt as of March 31, 2005 and 2004 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Loans principally from banks due 2005–2010, partially secured	¥25,939	¥26,862	\$241,539
Total	25,939	26,862	241,539
Less: Amount due within one year	7,425	3,279	69,140
Total	¥18,514	¥23,583	\$172,399

The annual maturities of long-term debt outstanding as of March 31, 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
2006	¥7,425		\$69,140
2007	5,290		49,258
2008	8,655		80,595
2009	3,918		36,485
2010 and thereafter	651		6,061

(b) Pledged assets

A summary of assets pledged as collateral for long-term debt as of March 31, 2005 and 2004, is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Property, plant and equipment (net book value)	¥7,609	¥8,007	\$70,854

Note 6: Marketable securities and investments in securities

Marketable and investment securities as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Current:			
Marketable equity securities	¥ —	¥ —	\$ —
Total	¥ —	¥ —	\$ —
Non-current:			
Marketable equity securities	¥6,655	¥9,548	\$61,977
Total	¥6,655	¥9,548	\$61,977

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Sales of available-for-sale securities	¥3,740	¥1,783	\$34,828
Gross realized gains	2,982	1,388	27,772
Gross realized losses	49	0	456

Note 7: 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, 2005, 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)
	2005	2005
Projected benefit obligation	¥28,787	\$268,068
Fair value of plan assets	(6,258)	(58,281)
Unrecognized transitional obligation	(5,629)	(52,418)
Unrecognized actuarial loss	(5,046)	(46,986)
Unrecognized prior service cost	879	8,185
Prepaid pension cost	—	—
Net liability for retirement benefits	¥12,733	\$118,568

The components of net periodic benefit costs for the year ended March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2005	2005
Service cost	¥1,193	\$11,113
Interest cost	593	5,524
Expected return on plan assets	(148)	(1,378)
Amortization of prior cost (credit)	(72)	(675)
Recognized actuarial loss	751	6,990
Amortization of transitional obligation	569	5,300
Net periodic benefit costs	¥2,886	\$26,874

Assumptions used for the year ended March 31, 2005 are set forth as follows:

Discount rate	2.5%
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 8: Contingent liabilities

As of March 31, 2005 and 2004, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Notes discounted with banks	¥—	¥545	\$—
Guarantees of loans:			
Non-consolidated subsidiaries	—	—	—
Other companies	3	4	33
Employees' housing loans	32	42	298

Note 9: 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.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥16,677 million (\$155,301 thousand) as of March 31, 2005, based on the amount recorded in the Company's general books of account.

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

Note 10: Income taxes

Income taxes applicable to the Companies comprise (1) corporate tax (2) enterprise tax, and (3) inhabitants' tax and were 40.5% in the fiscal years ended March 31, 2004 and 2005, respectively.

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

	2005
Statutory income tax rate	40.5%
Reconciliation:	
Permanent differences of entertainment expenses not deductible, etc.	2.0%
Inhabitant tax equalization	1.0%
Dividend excluded from income	(2.4)%
Unrecognized net operating loss of consolidated subsidiary	1.1%
Loss on repurchase of land	16.1%
Tax loss carryforwards	(4.6)%
Other	(4.5)%
Effective income tax rate	49.2%

The significant components of deferred tax assets and deferred tax liabilities recorded on the consolidated balance sheets as of March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2005	2005
Gross deferred tax assets:		
Accrued bonuses	¥ 920	\$ 8,563
Accrued retirement benefits	5,011	46,662
Special repair reserve	1,338	12,461
Loss on evaluation of securities	421	3,923
Tax loss carryforward	696	6,481
Other	1,710	15,925
	10,096	94,015
Valuation allowance for deferred tax assets	(1,876)	(17,471)
Deferred tax assets	8,220	76,544
Gross deferred tax liabilities:		
Reserve for property, plant and equipment to use taxable merits by Japanese tax law	4,040	37,616
Unrealized gain on securities	1,834	17,081
Other	36	338
Deferred tax liabilities	5,910	55,035
Net deferred tax assets	¥ 2,310	\$ 21,509

Note 11: 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							
Year ended March 31, 2004	Textiles	Building Materials	Glass Fiber Products	Real Estate Utilization	Other Operations	Corporate Expenses or Assets or Eliminations	Consolidated
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, 2005

Net sales							
Unaffiliated customers	¥16,009	¥52,028	¥44,958	¥ 2,120	¥15,177	¥ —	¥130,292
Intersegment	64	363	999	—	467	1,893	—
Total	16,073	52,391	45,957	2,120	15,644	1,893	130,292
Operating cost and expenses	16,250	50,937	41,667	1,523	14,349	1,342	123,384
Operating income (loss)	(177)	1,454	4,290	597	1,295	551	6,908
Identifiable assets	18,095	43,940	48,244	12,530	11,794	28,300	162,903
Depreciation expenses	431	1,476	2,520	375	269	386	5,457
Capital expenditure	110	1,355	2,792	3,982	1,063	692	9,994

Thousands of U.S. dollars (Note 1)

Year ended March 31, 2005	Textiles	Building Materials	Glass Fiber Products	Real Estate Utilization	Other Operations	Corporate Expenses or Assets or Eliminations	Consolidated
Net sales							
Unaffiliated customers	\$149,072	\$484,473	\$418,641	\$ 19,744	\$141,328	\$ —	\$1,213,258
Intersegment	593	3,377	9,300	—	4,347	17,617	—
Total	149,665	487,850	427,941	19,744	145,675	17,617	1,213,258
Operating cost and expenses	151,320	474,314	388,000	14,185	133,614	12,501	1,148,932
Operating income (loss)	(1,655)	13,536	39,941	5,559	12,061	5,116	64,326
Identifiable assets	168,501	409,168	449,245	116,676	109,822	263,528	1,516,940
Depreciation expenses	4,010	13,744	23,463	3,492	2,511	3,593	50,813
Capital expenditure	1,019	12,619	25,999	37,083	9,898	6,445	93,063

Note 12: Research and development costs

Research and development costs charged to income for the years ended March 31, 2005 and 2004 were as follows:

Millions of yen		Thousands of U.S. dollars (Note 1)
2005	2004	2005
¥1,032	¥969	\$9,611

Note 13: Leases

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense, interest expense, and the information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2005 and 2004 was as follows:

(a) Acquisition cost and accumulated depreciation of finance leases

	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2005			2004			2005		
	Machinery and Equipment	Other Assets	Total	Machinery and Equipment	Other Assets	Total	Machinery and Equipment	Other Assets	Total
Acquisition cost	¥343	¥2,065	¥2,408	¥399	¥1,545	¥1,944	\$3,192	\$19,235	\$22,427
Accumulated depreciation	241	841	1,082	229	767	996	2,240	7,835	10,075
Net leased property	¥102	¥1,224	¥1,326	¥170	¥778	¥948	\$952	\$11,400	\$12,352

(b) Obligations under finance leases

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Due within one year	¥459	¥344	\$4,277
Due after one year	917	643	8,537
Total	¥1,376	¥987	\$12,814

(c) Depreciation expense, interest expense, and other information under finance leases

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Depreciation expense	¥408	¥399	\$3,800
Interest expense	32	25	299
Total	¥440	¥424	\$4,099
Lease payments	¥442	¥429	\$4,116

Depreciation expense and interest expense, which are not reflected in the accompanying statements of income, are computed by the straight-line method and the interest method, respectively.

Note 14: Subsequent event

At the annual shareholders' meeting, which was held by the Company on June 29, 2005, the following appropriation of retained earnings existing as of March 31, 2005 was duly approved.

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2005	2005
Appropriations:		
Cash dividends	¥742	\$6,910
Total	¥742	\$6,910

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, 2005 and 2004, 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, 2005 and 2004, 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, 2005

Shin Nihon & Co.
Shin Nihon & Co.

Corporate Data / Investor Information

(As of March 31, 2005)

Corporate Name	Nittobo (Registered as Nitto Boseki Co., Ltd.)	Date of Establishment	April 22, 1918 Fukushima Seiren Seishi K.K. April 1, 1923 Company name changed to Nitto Boseki Co., Ltd.
Main Branch	Aza Higashi 1, Gonome, Fukushima 960-8161, Japan	Paid-In Capital	¥19.6 billion
Headquarters	4-1-28, Kudankita, Chiyoda-Ku, Tokyo 102-0073, Japan Tel : +81-3-3238-4535 Fax : +81-3-3238-4588 URL : http://www.nittobo.co.jp/	Employees	1,927 (Nonconsolidated) 3,908 (Consolidated)

Main Offices and Factories

· Osaka Branch	4-3-10, Koraihashi, 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 Plant	Aza Higashi 1, Gonome, Fukushima 960-8161, Japan
· Fukuyama Enterprise Center	Aza Shiojima 1, Fukuhara, Fukuyamacho, Koriyama-shi, Fukushima 903-8061, Japan
· Niigata Plant	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 Plant	Roppo-cho 210, Inage-ku, Chiba 263-0004, Japan
· Wakayama Plant	Oaza Hiro 898, Hirokawa-cho, Arida-gun, Wakayama 643-0071, Japan
· Glassfiber Developing Research Center (located in Fukushima Plant)	
· Biochemical Research Center (located in Fukuyama Enterprise Center)	

Consolidated Subsidiaries

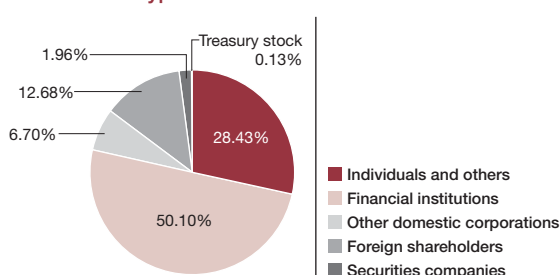
· Nittobo Materials Co., Ltd.
· Paramount Glass Manufacturing Co., Ltd.
· Soyo Co., Ltd.
· Nitto Glass Fiber Manufacturing Co., Ltd.
· Nittobo Acoustic Engineering Co., Ltd.
· Nittobo Togan Co., Ltd.
· Fuji Fiber Glass Co., Ltd.
· Nittobo Medical Co., Ltd.
· NTB TECHNOLOGY CO., LTD.
· Nittobo (China) Co., Ltd.
· Nitto Beverage Co., Ltd.
· Nittobo Macau Glass Weaving Co., Ltd.
· Nippon Haskell Co., Ltd.

and 12 other companies

Share Information

Total Number of Shares Issued	247,677,560
Number of Shareholders	25,830

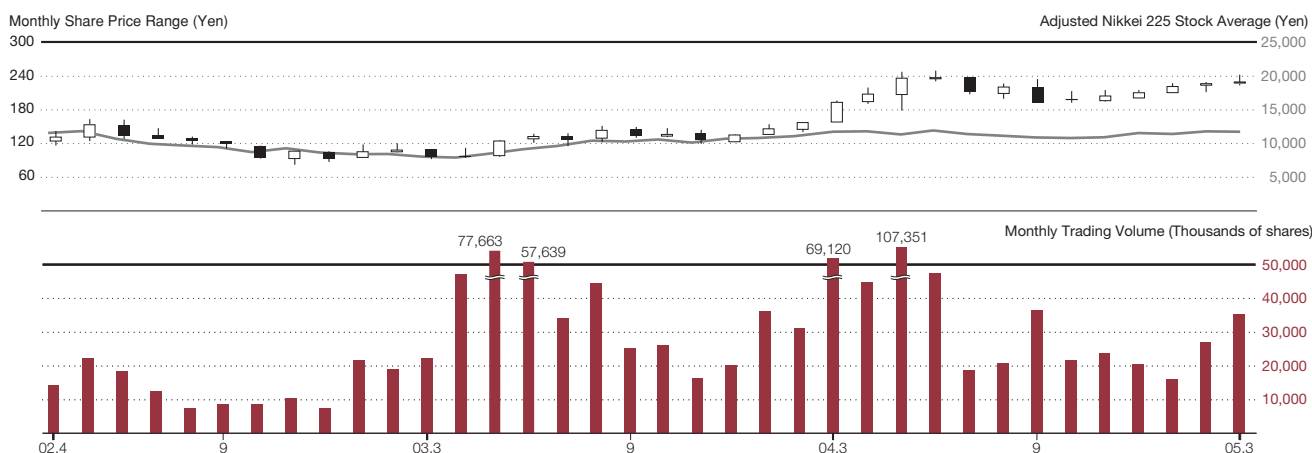
Shareholder Type



Major Shareholders

Name	Number of Shares Held (Thousands of shares)	Percentage of Shares Held (%)
Japan Trustee Services Bank, Ltd. (Trust accounts)	26,613	10.75
The Master Trust Bank of Japan, Ltd. (Trust accounts)	19,042	7.69
Mizuho Corporate Bank, Ltd.	11,958	4.83
Nippon Life Insurance Company	8,970	3.62
The Dai-ichi Mutual Life Insurance Company	6,580	2.66
The Chuo Mitsui Trust and Banking Co., Ltd.	6,163	2.49
Sumitomo Life Insurance Company	5,412	2.19
Aioi Insurance Co., Ltd.	4,799	1.94
Trust & Custody Service Bank, Ltd. (Trust A account)	4,653	1.88
Japan Trustee Service Bank, Ltd. (Trust accounts 4)	4,458	1.80

Share Price Range and Trading Volume





Nitto

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