

**Nittobo**

Annual Report 2007

Year ended March 31, 2007



## Profile

Founded in April 1918 as a manufacturer of textiles, Nittobo achieved success as the first Japanese company to manufacture glass fiber and rock wool in 1938. The Company subsequently prospered with diversification into such business areas as the medical and specialty chemical fields.

Today, Nittobo is leveraging its cumulative strengths in technological development with the aim of further expanding its business domains. Simultaneously, Nittobo is promoting new business development to set the pace for future growth.

As an enterprise dedicated to building a healthier and more comfortable living environment, we continually endeavor to increase corporate value while enhancing the fabric of our business and contributing to the enrichment of society.

### Notes:

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
	2007	2006	2007
Net sales	¥ 138,776	¥ 130,442	\$ 1,175,568
Operating income	11,379	7,484	96,393
Income before income taxes and minority interests	8,007	5,390	67,824
Net income	4,615	3,471	39,094
Total assets	164,911	159,311	1,396,955
Total equity	72,025	67,200	610,123
Per share data:			
Net income (Yen/U.S. dollars)	¥ 18.66	¥ 14.03	\$ 0.158
Cash dividend (Yen/U.S. dollars)	3.00	3.00	0.025
Shareholders' equity ratio (%)	42.5	42.2	
Return on equity (%)	6.7	5.4	

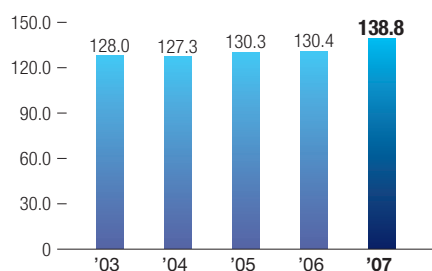
Notes: 1. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥118.05=US\$1 (March 31, 2007).

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

3. According to a new accounting standard for presentation of equity, which is effective for fiscal years ending on or after May 1, 2006, stock acquisition rights, minority interests and any deferred gain or loss on derivatives under hedge accounting are now presented as components of equity. Accordingly the amount of equity as of March 31, 2007 is not directly comparable to shareholders' equity of prior years, stated above.

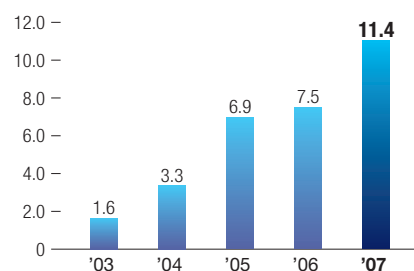
## Net Sales

(Billions of yen)



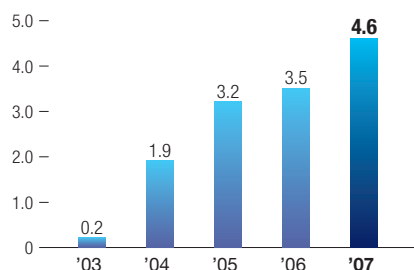
## Operating Income

(Billions of yen)



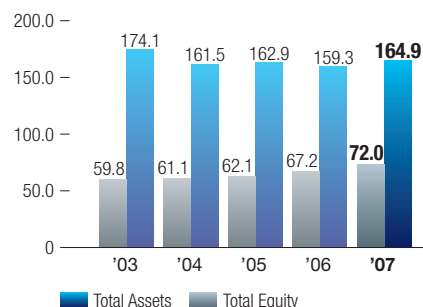
## Net Income

(Billions of yen)



## Total Assets/Total Equity

(Billions of yen)



## To Our Shareholders

In Fiscal 2007, the year ended March 31, 2007 and marking the first year under its medium-term management plan, “Relay 101,” Nittobo stepped up efforts to strengthen its business capabilities. These endeavors bore fruit in the form of favorable performance in the Glass Fiber Products Division, adding to the positive impact of business restructuring in the Textiles Division and the Building Materials Division. These factors contributed to the Company’s third consecutive year of growth in revenues and profits.



**Katsumi Minamizono**  
President and Representative Director

## Consolidated Business Results

During fiscal 2007, the Japanese economy continued on a mild recovery course, with increased capital expenditure and improved employment conditions that were buoyed by solid performance in the corporate sector.

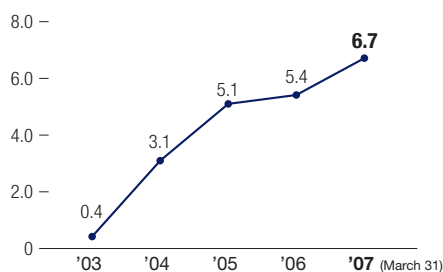
In this tailwind environment, the Nittobo Group implemented various initiatives under the Relay 101 Medium-Term Management Plan to promote business structure reforms and achieve greater breadth and depth in its business operations, as well as to accomplish specific targets set forth in the plan. These activities resulted in the third consecutive year of growth in revenues and profits, pushing consolidated net sales up 6.4% from the previous fiscal year to ¥138,776 million and boosting operating income 52.0% to ¥11,379 million, as well as expanding net income 33.0% to ¥4,615 million.

Reviewing performance by division, the Company's mainstay Glass Fiber Products Division improved revenues and profits, buoyed by robust demand for glass fiber products used for printed circuit board (PCB)

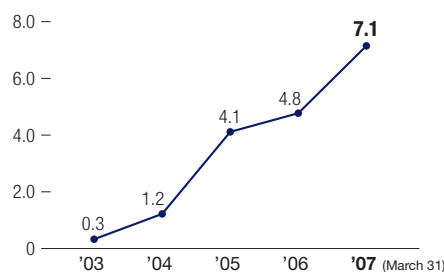
substrates and solid results in the fiber reinforced plastic (FRP) and fiber reinforced thermoplastic (FRTP) industrial applications. The Building Materials Division effectively tapped demand that was attributable to increased housing starts and accelerated capital expenditure in the private sector, thus achieving sales growth. The division's profitability also improved due to the positive impact of business restructuring, which included the streamlining of the Company's ceiling material production bases.

Sales in the Textiles Division declined, negatively affected by intensifying competition from products manufactured by overseas competitors, as well as unseasonable weather conditions. Operating income, however, managed to turn into the black due to Nittobo's efforts to improve manufacturing and marketing processes. The Other Operations performed well, encompassing the Medical Division, which primarily handles clinical diagnostic reagents, and the Specialty Chemicals Operations, which develops and markets functional polymers, as well as the Engineering Operations and Beverage Operations.

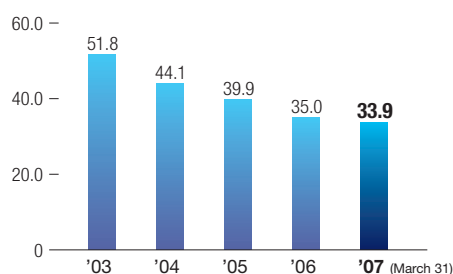
Consolidated ROE (%)



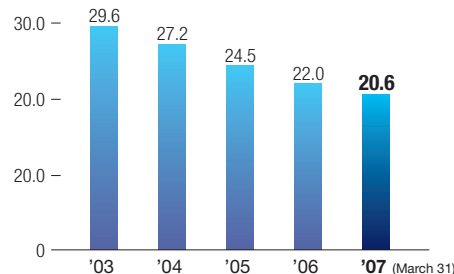
Consolidated ROA (%)



Interest-Bearing Debt (Billions of yen)



Interest-Bearing Debt Ratio (%)



## Pursuing Further Structural Reforms toward Becoming a Stronger Nittobo

The Nittobo Group commenced the implementation of Relay 101, its three-year medium-term management plan, in April 2006. The plan sets forth three basic policies, which are: achieving greater breadth and depth in its business domains; promoting business structure reforms; and always working to refine its corporate governance structure.

While advancing R&D activities to create highly functional and value-added products and streamlining and expanding marketing channels during fiscal 2007, we undertook business structural reform in February 2007 to identify and foster new business fields. Specifically, we spun off the Medical Division and the Beverage Operations from Other Operations, positioning these new independent business divisions on a level comparable to our three major divisions: Glass Fiber Products, Building Materials and Textiles. In addition, we have redefined the function of the New Business Operation & Promotion Division, placing the Specialty Chemicals Operations and the New Business Promotion Office under its wings to fuel the development of new businesses. These structural reforms will empower us to accelerate the

improvement of operational processes at individual divisions. In line with these restructuring initiatives, we will boost cross-divisional R&D collaboration. Through these Groupwide efforts, Nittobo aims to accomplish the targets set under Relay 101.

As part of continuous efforts to develop its corporate governance structure, Nittobo established a Corporate Conduct Promotion Office in October 2006. This permanent organization was set up by redefining the role of the Corporate Conduct Follow-up Committee that served as an organizer and promoter of the Company's risk management and compliance systems under the direction of the Corporate Conduct Committee, an organization subordinate to the Board of Directors. Through the constant development of our internal control systems, we will work to nurture CSR-oriented corporate culture based on increasingly transparent management.

The Nittobo Group's dividend policy carries significant weight on par with the Group's other key management issues. With due consideration given to the Company's profit trends and retained earnings in order to strengthen its business base, Nittobo is working to achieve stable dividend payouts over the long term.

### Relay 101: Three Basic Policies

#### *Achieving Greater Breadth and Depth in Our Business Domains*

Aiming to build new corporate value, Nittobo will concentrate its resources on expanding into new business domains and developing new high-function, high-value-added products.

#### *Business Structure Reforms*

Nittobo is endeavoring to establish a business structure capable of providing a flexible response to changing market conditions.

#### *Continuous Development of Corporate Governance Structure*

While implementing definitive internal control system improvements, Nittobo aims to institute a highly transparent corporate culture with full consideration of its social responsibilities.



Retained earnings will be utilized for aggressive investment to accelerate the development of high-value-added products for a more optimal product portfolio and the launching of new businesses. Creating new value through these endeavors, the Company will channel its monetary reserves into the implementation of initiatives that directly lead to improved productivity and product quality.

### Outlook for Fiscal 2008

Continued recovery of performance in the corporate sector is expected to drive sustained stable growth of the Japanese economy. However, numerous uncertainties, including economic conditions in the U.S. and China, foreign exchange fluctuations, crude oil prices and trends in IT-related demand leave little room for optimism in making forecasts for the forthcoming fiscal year.

With such uncertainties on the horizon, the Nittobo Group will aim to achieve greater breadth and depth in its business domains in the second year of the Relay 101 Medium-Term Management Plan. At the same time, we will continue to pursue all business aspects and traits that make us distinctive and identifiable inside and outside the markets where we currently operate, while accelerating the shift toward a more profitable business structure, even in this dynamically fluctuating operating environment. Furthermore, by continually developing our corporate governance structure, we will work to add new value to the Nittobo brand.

As the president of the Nittobo Group, I thank you, and I ask for the unwavering support of shareholders, investors and all other stakeholders.



**Katsumi Minamizono**  
President and Representative Director  
June 2007

### *Our Commitment: The Nittobo Declaration*

#### **Mission Statement**

As a corporate citizen contributing to healthy and comfortable lifestyles, the Nittobo Group endeavors to raise its value within society through consistent efforts to realize a more affluent society for everyone.

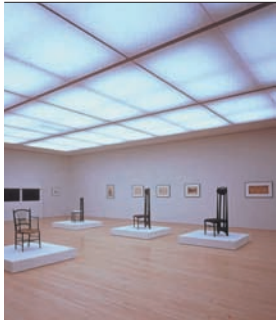
#### **The Nittobo Declaration**

- Under the Nittobo BP Declaration, we aspire to be society's best partner.
- We take pleasure in continuously pursuing customer satisfaction, while faithfully delivering safety and trust. We also believe in the importance of creating and sharing in the delight of our shareholders, investors, local communities and all stakeholders alike through our corporate activities.
- We respect the individual potential of each of our employees. Facilitated by teamwork, we aim to become a more powerful corporate entity, based on freedom of expression and the robust exchange of ideas.
- We believe in the interdependent development of our employees and the Group, and thus offer our employees opportunities to realize their potential and grow. Nittobo employees are first and foremost good citizens, reflective, open-minded and assured. In addition, we tenaciously achieve whatever we set out to do.

We recognize the far-ranging impact of our actions as a Group and approach each decision in a determined and enlightened manner.

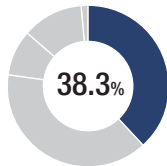
# Overview by Segment

(For the years ended March 31)

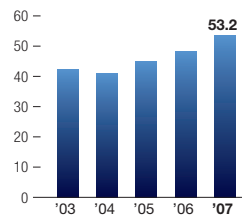


## Glass Fiber Products Division

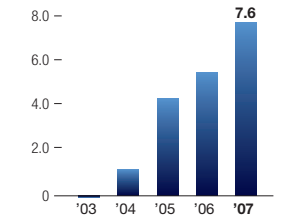
Proportion of Consolidated Net Sales



Net Sales (Billions of yen)

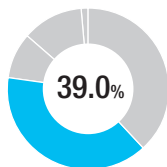


Operating Income (Loss) (Billions of yen)

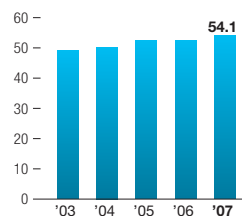


## Building Materials Division

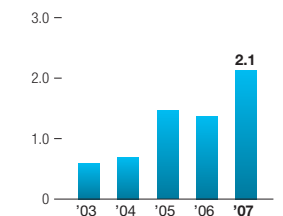
Proportion of Consolidated Net Sales



Net Sales (Billions of yen)

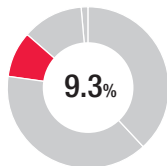


Operating Income (Loss) (Billions of yen)

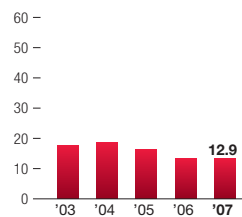


## Textiles Division

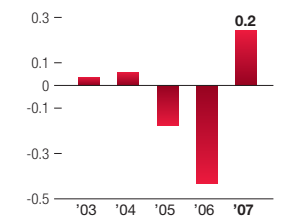
Proportion of Consolidated Net Sales



Net Sales (Billions of yen)

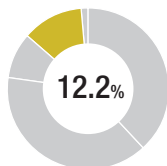


Operating Income (Loss) (Billions of yen)

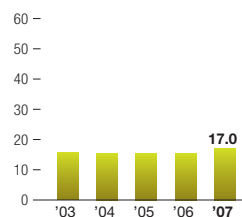


## Other Operations

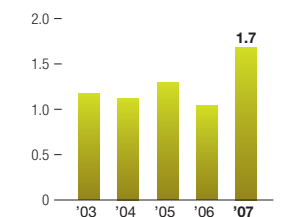
Proportion of Consolidated Net Sales



Net Sales (Billions of yen)

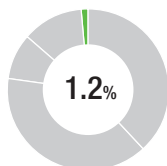


Operating Income (Loss) (Billions of yen)

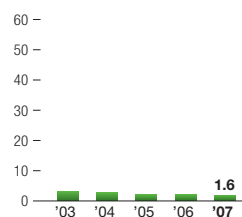


## Real Estate Utilization Division

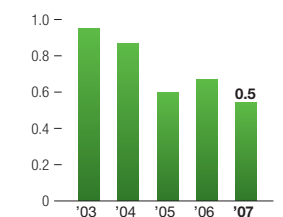
Proportion of Consolidated Net Sales



Net Sales (Billions of yen)



Operating Income (Loss) (Billions of yen)



Nittobo boasts a comprehensive business structure that covers everything from the manufacture of glass fiber yarn and textile treatment processes through to the development of composite materials, winning worldwide acclaim as a glass fiber powerhouse. The Company is unstoppable in pursuing the potential of glass fiber products, including electronic-use fine glass fiber yarns and ultrathin fabrics, and fiber reinforced plastic (FRP) and fiber reinforced thermoplastic (FRTP) in the compound base material field. Also making notable advances in the industrial-use glass fiber field, Nittobo is expanding its glass fiber related business to become the undisputed leader in the global glass fiber industry.

#### Major Products and Services

- Glass fiber yarn
- Glass fabric
- Glass fiber for FRP and FRTP
- High tensile strength glass fiber (leading-edge compound material)
- Glass fiber products for industrial applications
- FRP panels

Nittobo pioneered the first successful industrial production of rock wool in Japan, and Nittobo Group subsidiaries manufacture and market glass wool. Rock wool and glass wool are characterized by their superior properties, such as heat and cold insulation and sound absorption, and they are increasingly utilized in construction materials for eco-friendly structures, as worldwide concern about global warming prevention grows. Nittobo is also undertaking asbestos removal work and other environmental operations. The Building Materials Division is constantly creating new businesses, aiming to contribute to the realization of a society that helps people lead a more comfortable life.

#### Major Products and Services

- Fireproof, acoustic rock wool ceiling panels
- Floor panels
- Thermal insulation, acoustic and fireproof materials
- Environmental services

The Textiles Division has occupied a key position in Nittobo's business activities since the Company's founding. Leveraging its technological expertise in product development, covering everything from spinning to sewing, the Company continues to introduce new high-value-added materials with improved workability and functionality. Positioning stretch fabric Core Spun Yarn (C·S·Y®) and apparel-use garment interlining as its mainstay products, Nittobo is engaged in the development of products that respond to various market needs.

#### Major Products and Services

- Yarn (C·S·Y®)
- Textiles
- Apparel and other finished products
- Garment interlining
- Nittobo dishcloth

In the Medical Division, Nittobo engages in the clinical diagnostic reagent business, while endeavoring to establish a technological base in the genetic engineering field and promote industry-university joint projects on various subjects. In Specialty Chemicals Operations, the Company is advancing the development of new polymer materials by employing sophisticated polymerization technologies, while pursuing new applications for these new materials in various fields. The Company is also developing its Beverage Operations based in the Tomari Enterprise Center, producing pet bottles and bottling beverages.

#### Major Products and Services

- **Medical Division**  
Clinical diagnostic reagents in biochemistry, hematology and immunology
- **Specialty Chemicals Operations**  
DANFIX® dye fixative, development of applications of polyarylsulfone (PAS), polyallylamine (PAA®) and other new polymer materials
- **Beverage Operations**  
280ml- and 350ml-size PET bottle beverages and manufacture of large PET bottles
- **Engineering Operations**  
Sound and noise abatement systems and plant construction

The Real Estate Utilization Division is working to facilitate the profitable use of land and properties held by Nittobo. Major operations include the leasing of office space in the Nittobo Building, located in Tokyo's Yaesu business district, as well as management of the Atago Golf Garden driving range in Shizuoka City and Renaissance Fukushima, a comprehensive sports club in Fukushima City.

#### Major Products and Services

- Office Building leasing business
- Sports facilities business

## Glass Fiber Products Division

### Overview

*The Glass Fiber Products Division is working to build a business structure less susceptible to market fluctuations while sharpening its competitive edge and improving customer satisfaction. Specifically, we are bolstering our lineup of unique composite-material products while also shifting to sophisticated, high-value-added electronic-use glass fiber products. In the industrial-use fabric category, we are pioneering new markets and accelerating new product development.*



"Light Shade," illumination cover using industrial-use fabric

### Operating Results

In the glass fiber industry, IT-related demand steadily expanded in the first half of fiscal 2007. However, demand slowed due to industry-wide inventory adjustments. Despite strong demand for glass fiber products, particularly in applications for construction, home appliances, automobiles and home electronics, an increase in imported glass fiber products led to intensifying competition.

In this mixed environment, sales were robust for glass fiber used in fiber reinforced plastics (FRPs) and fiber reinforced thermoplastics (FRTPs) in the composite material category, due mainly to solid demand from the home appliance category, which was attributable to increased housing starts. Automobile- and home-electronic-use glass fiber products also performed well.

In the electronic-use glass fiber field, demand was firm throughout fiscal 2007, particularly for glass fiber yarns and fabrics used for printed circuit board (PCB) substrates, although some signs of inventory adjustments were apparent at some of Nittobo's customers in the second half.

Sales of the Company's glass fiber fabrics in the industrial-use fabric category were strong, buoyed by healthy demand, primarily from building interior and aircraft applications.

As a result, the Glass Fiber Products Division achieved growth in both revenues and profits. Net sales totaled ¥53,226 million, up 10.4% from the previous fiscal year, and operating income jumped 39.9% year on year to ¥7,630 million.

### Business Strategy for Fiscal 2008

Operating conditions are expected to become increasingly severe in this business due to high crude oil prices and the greater market presence of Chinese manufacturers. In order to secure a high level of profitability amid an increasingly severe operating environment, Nittobo is taking concrete steps, including the proactive utilization of a workforce composed of young, capable employees, adherence to thorough cost controls and a strategic shift toward the manufacture of high-value-added products.

In the composite material field, Nittobo is striving to expand sales of such products as Rov-Master, a differentiated roving yarn characterized by its high yield and marketability in the FRP category, as well as cocoon- and oval-shaped cross-sectional glass fiber in the FRTF category.

In the electronic-use glass fiber field, the Company is stepping up R&D efforts to provide more effective solutions for its customers' requirements to manufacture thinner PCB substrates with higher density. These R&D projects include the development of ultrathin glass fiber fabrics and a further upgrading of the electrical insulation performance of glass fiber products.

In addition, Nittobo is implementing initiatives to expand the sales of its existing products in the industrial-use fabric field, while developing new products that have a competitive edge, in order to penetrate new markets.

## Building Materials Division

### Overview

*The Building Materials Division carefully selects areas in which to focus its management resources, aiming to eliminate unprofitable businesses and bolster its profit structure. In the thermal insulation materials business, Nittobo is developing new products, based on its strength in this market, while shifting toward a more profit-based structure and launching market-needs-oriented products in the interior materials business. Nittobo is also working to boost asbestos-removal operations in its environment business.*



Fireproof, acoustic rock wool ceiling panel

### Operating Results

The building materials industry enjoyed stable growth in fiscal 2007, despite a continued decline in public-sector investment. The favorable results were attributed to strong demand from the private sector, where there was an increase in both residential and nonresidential construction starts.

In the thermal insulation materials business, sales of rock wool and glass wool were robust. Factors contributing to the positive results in the residential construction category include the increase in total construction starts, as well as the increased use of thicker insulation materials to help residential buildings comply with energy-saving standards. In the nonresidential construction field, strong demand boosted by capital investment in the private sector fueled sales growth.

In the interior materials business, the sales volume of Nittobo's mainstay fireproof acoustic ceiling panels declined, a result of the streamlining of the product lineup through the July 2006 discontinuation of the Company's Wakayama Factory operations. Sales of flooring materials also decreased, negatively affected by contracting demand for general-purpose tile and the weak performance of non-vinyl-type tile used in convenience store buildings.

In the environmental business, healthy orders in asbestos-removal operations continued to expand sales.

As a result, net sales of the Building Materials Division totaled ¥54,120 million, a 3.7% improvement from the previous fiscal year. Operating income, positively affected by business structural reforms, including withdrawal from unprofitable products, surged 56.8% year on year to ¥2,120 million.

### Business Strategy for Fiscal 2008

Though a long-term downward trend in overall demand for building materials seemed to have bottomed out, the shrinking population is expected to cause the number of construction starts to decrease. In this operating environment, the Company aims to enhance the Nittobo brand power by flexibly identifying stable profit structures to fit the ever-changing business conditions and promote information-sharing through cross-divisional cooperation, as well as to offer high-quality products that optimally accommodate customers' needs.

In the thermal insulation materials business, Nittobo, as a general insulation material manufacturer, is working to capture the leading position in the domestic market through business operations effectively coordinated on a Groupwide scale. To achieve this goal, the Company will leverage its comprehensive corporate capabilities and competitiveness in providing solutions to environmental problems.

In the interior materials business, Nittobo will continue to focus on business restructuring and review its product mix, thereby accelerating the establishment of a business structure that helps the Company achieve sustainable profitability.

In the environmental business, the Company is working to optimize its personnel systems, effectively deploying proficient sales personnel, on-site project managers and workers, while doubling full-fledged efforts to assure safety and security in its operations.

## Textiles Division

### Overview

*The Textiles Division primarily handles core yarn and stretch fabric Core Spun Yarn (C·S·Y®), which are based on Nittobo's advanced spinning technology, along with garment interlining products, which use woven fusible interlinings based on original textile-finishing technologies. Integrating such products and promoting coordinated division-wide operations, Nittobo is optimizing its management resources to foster its Chinese operations, facilitate more efficient marketing activities and reinforce customer services.*



Apparel products using stretch fabric C·S·Y® and garment interlining

### Operating Results

The textiles industry in Japan suffered from stagnant sales of apparel products, due to intensified competition from imported products, a warm winter and other unseasonable weather conditions.

In core yarn and stretch fabric C·S·Y®, demand for applications in denim items improved slightly during the second half of fiscal 2007. Nittobo worked to expand sales through the launch of new products and applications. However, demand for these products declined—particularly for products intended for domestic casualwear applications and exports—in the high-end apparel market, where Nittobo boasts strengths. As a result, the Company's sales expansion efforts fell short of halting the sales decline.

In the garment interlining products field, Nittobo focused its domestic marketing functions in Nittobo INTERLINING Co., Ltd. in order to create an efficient sales and marketing structure, and based on this new structure, the Company implemented measures to improve the sales of distinctive new products. In China, we strengthened our customer-oriented sales activities and marketing structure, which is coordinated through the joint efforts of Nittobo's Japanese and Chinese operations and allows for the simultaneous sale of products in the two countries. These initiatives have increased the sales generated by Nittobo (China) Co., Ltd. in China.

These factors resulted in net sales in the Textiles Division of ¥12,851 million, a deterioration of 0.3 of a percentage point year on year. In contrast, operating income recovered to ¥239 million, owing to the positive effects of the Company's endeavors to improve its manufacturing and marketing processes.

### Business Strategy for Fiscal 2008

Nittobo is tackling the establishment of a bi-national, comprehensive production structure, supported by cross-categorical collaboration between departments related to core yarns and garment interlinings, as well as by division-wide collaboration. Under this structure, differentiated core yarns developed by Nittobo Niigata Co., Ltd. are woven, twined, colored and sewn in China. In line with these structural reform initiatives, Nittobo aims to upgrade the function of Nittobo (China) Co., Ltd., which currently serves as an interlining manufacturing and marketing base, into a controller of the Chinese operations of the Textiles Division.

In the core yarn business, Nittobo is working to build manufacturing and marketing structures in order to expand the scope of its products, not just covering current casualwear applications, but also a full range of apparel products.

In addition, Nittobo will continue to focus on increasing sales of garment interlining products in China, while boosting sales activities targeting Europe and other overseas target markets.

## Other Operations

### Overview

*Nittobo is leveraging its proprietary technologies in R&D activities in a variety of fields, aiming to foster and establish new business domains. Specifically, the Company is applying its long-nurtured expertise to develop and commercialize new products in the Medical Division, Specialty Chemicals Operations, Engineering Operations, Beverage Operations and New Business Operation & Promotion Division. By accelerating these activities, Nittobo aims to expand the scale of these operations.*

### Operating Results

The Medical Division, which mainly handles clinical diagnostic reagents, encountered an increasingly harsh business environment in Japan, attributed to revisions to medical service fees and the trend of reducing the amount of reagents used with analytical equipment. Nittobo worked to win new customers and cultivate new clinical testing fields, which resulted in the same level of domestic divisional sales as fiscal 2006. An increase in exports to the U.S. and other countries added to the momentum, enabling the company to achieve sales expansion in this division.

The functional-polymer products category of Nittobo's Specialty Chemicals Operations suffered diminished domestic demand for dye fixatives and intensifying competition overseas. Weak performance of dye fixatives, however, was more than offset by the robust results of pigment additives, ink additives and raw materials for household products, resulting in the steady growth of sales.

In the Engineering Operations, Nittobo completed several large-scale, acoustic-related construction projects during fiscal 2007. In addition, the Company's consulting services performed well, including the noise survey and acoustic measurement operations, while noise measurement systems showed robust sales. As a result, the Engineering Operations sales showed a solid increase.

Sales in the Beverage Operations also expanded. This increase was attributable to the Company's broadened customer base and product lineup, which have been achieved through marketing activities boosted by the production line upgrading undertaken in 2005.

These factors contributed to the growth in both revenues and profits: net sales of Other Operations totaled ¥16,974 million, up 12.0% from the previous fiscal year, and operating income soared 62.5% year on year to ¥1,677 million.

### Business Strategy for Fiscal 2008

#### Medical Division

The Medical Division, which started out as a synthetic substrate business, is currently engaged in the clinical diagnostic reagent business that covers the three fields of biochemistry, hematology and immunology.

With the aim of developing products that contribute to the advancement of modern medicine, Nittobo is stepping up efforts to establish a genetic-engineering-based technological backbone through such activities as protein production from genetically modified silkworms and academic-business research efforts. Meanwhile, in the diagnostic products category, Nittobo is accelerating the launch of new testing reagents for the Company's mainstay Latex Series, while advancing the development of cellular-engineering-based tumor markers, genetic-engineering-based bone markers and a diverse range of other original testing reagents.

Nittobo is also focusing on the development of products used in clinical laboratory testing, including blood collection tubes. Reinforcing its sales and marketing capabilities, the Company is aggressively pioneering new business fields closely linked with its core clinical diagnostic reagent business.

Looking ahead, Nittobo will strengthen ties with external organizations to conduct advanced research. In line with such collaborative projects, the Company will develop new products with improved analytical precision and aims to expand exports to the U.S., China and Southeast Asian countries.



Genetically modified silkworms under study for pharmaceutical and reagent applications

### Specialty Chemicals Operations

Nittobo is concentrating on the development of innovative polymer materials based on special polymerization technologies, while striving to invent new applications for these polymer materials in various fields.

The Company is implementing various initiatives in the Specialty Chemicals Operations to expand the sales of its mainstay DANFIX® dye fixative and increase the overseas sales of plating additives, as well as to reinforce its marketing tools. Particularly in the fields of raw materials for household products, electronic material additives and other high-value-added products, the Company is accelerating the development of new products, while bolstering proposal-based marketing for these products.

Nittobo has long recognized the provision of water-soluble polymer products as the mainstream business of its Specialty Chemicals Operations. The Company is, however, now considering potential new business fields in this area. In this undertaking, Nittobo is strengthening the development of functional agents for specific applications in order to be able to provide a wider range of materials, while promoting collaboration with other divisions, to create new-value-added products. These approaches will help the Company to extend the scope of the Specialty Chemicals Operations.



Polyallylamine (PAA®),  
water-soluble polymer

### Engineering Operations

In the Engineering Operations, Nittobo is applying extensive experience and expertise to develop the plant and acoustic-related businesses.

The construction department of the acoustic-related business is facing intensifying competition, driven by falling price levels in the construction industry, to which the Company's major customers belong, and shrinking capital investments and slowed demand for new construction work in the broadcasting and communications industry. Nittobo expects that there will be an increase in demand for its noise survey and consulting operations, as well as for its acoustic measurement and simulation systems. However, ever-diversifying customer needs in aircraft noise-monitoring systems and similar systems for the automobile industry are calling for the creation of more advanced technologies.

Under these harsh conditions, Nittobo will continue to make advances in technological innovation and strategically approach target businesses, including commissioned services for sound source inquiries and acoustical materials evaluation, as well as

the construction of research facilities such as anechoic and reverberant rooms. The Company also aims to grow its Engineering Operations into a global-scale business, leveraging its proprietary technologies. In addition, through the provision of seminars and technological news releases, along with the upgrading of the Company's communication tools such as its website and product catalogues, Nittobo will work to secure a formidable market share.



Television broadcasting studio featuring  
Nittobo's acoustic technologies

### Beverage Operations

Nittobo is providing comprehensive OEM services that accommodate various customer needs in the private-label beverage market, covering everything from PET bottle manufacturing to beverage bottling. In its mainstay small-sized PET bottle beverage business, Nittobo is working to increase sales volume by meeting the requirements of high-mix, low-volume production and making strong efforts in product development. In the large-sized PET bottle beverage business, the Company has started the manufacture and sale of 2-liter PET bottles for beverage manufacturers operating mainly in the mineral water market.

The beverage market is showing a stable trend in terms of the market-wide shipping volume. Looking at the markets more closely, bottled tea drinks—a previous market driver—are losing momentum, while demand is growing for bottled mineral water and vegetable juice.

Nittobo will expand the scale of its high-mix, low-volume production to respond accurately to the needs in the beverage market. Moreover, placing top priority on the improvement of product quality, the Company will adequately manage its use of raw materials, maintain its production facilities and lines and ensure the traceability of products after delivery. These initiatives will enable Nittobo to enhance customer satisfaction, which the Company believes is closely linked with revenue and profit growth.



PET bottle beverages

### New Business Operation & Promotion Division

In this new business division, Nittobo aims to create and foster new business fields. While incubating new businesses based on its proprietary technologies, the Company is aggressively pursuing academic-business alliances to develop innovative products.

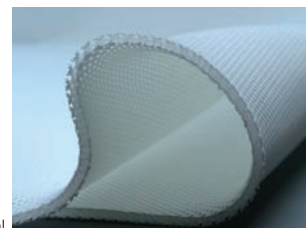
The New Business Operation & Promotion Division is tasked with the coordination of cross-divisional product development. The first example of this undertaking was SSG Coat, a fast-curing, hard, coating agent released in December 2006. This new coating agent has been received well, solving various problems found in conventional coating agents.

One of the other major new businesses in the division is PARAMAX, a three-dimensional knit material. Nittobo is promoting marketing activities for this high-performance product, which boasts high springiness, breathability, corrosion-resist-

ance and elasticity. In addition to PARAMAX's established application in bedding, the Company is exploring potential applications in the building materials field and working to achieve sales expansion.

The division will drive the development new businesses capable of penetrating the global market. To achieve this goal, Nittobo is reinforcing the Groupwide marketing power and accelerating the growth of the division.

PARAMAX,  
a three-dimensional knit material



## Real Estate Utilization Division

### Overview

*In the Real Estate Utilization Division, Nittobo aims for the effective and profitable management of its land and property holdings. Principal operations include the leasing of office buildings and management of sports facilities. Toward maximizing the value of the assets it holds and achieving the ultimate in service quality and customer satisfaction, Nittobo is committed to securing stable revenues and profits in this business.*

### Operating Results

In the sports facilities business, Nittobo stepped up efforts to retain existing customers and acquire new customers. This approach resulted in solid growth of the business. In the office building leasing business, the Company managed to maintain full tenancy of its office buildings, thereby achieving sound results.

These positive factors, however, were offset by the long-lasting negative impact of the December 2005 sale of a commercial lease facility in Koriyama City, Fukushima Prefecture. Accordingly, net sales of the Real Estate Utilization Division fell 20.2% year on year to ¥1,605 million, and operating income dropped 19.7% to ¥534 million.

### Business Strategy for Fiscal 2008

Nittobo will continue to undertake the office building leasing business involving the Nittobo Building, an "intelligent" office building located in Yaesu, Tokyo. As an ongoing project in the sports facilities business, the Company will also continue to manage the Atago Golf Garden, a driving range located on the former Shizuoka factory site, and the Renaissance Fukushima sports club on the site of its Fukushima factory. The Real Estate Utilization Division is pursuing the synergistic effects of collaborating with other divisions to maximize the value of the assets that Nittobo owns and improve service quality and customer satisfaction. The ultimate goal of the division is to make significant contributions to the Nittobo Group's growth.



Nittobo Building, located  
in Yaesu, Tokyo

# Corporate Governance and Compliance

## Corporate Governance

### Basic Policy

Foremost in the mind of Nittobo’s management is to build an open and transparent management structure with the aim of securing the trust of its stakeholders, including shareholders and investors. Positioning the continuous development of its corporate governance structure as one of the most important management issues under the Relay 101 Medium-Term Management Plan, the Company is aiming for constant improvements of the structure, thereby reinforcing the Nittobo Group’s corporate strengths.

### Corporate Governance Structure

Nittobo has set its Board of Directors and Board of Corporate Auditors as the foundation of its sound corporate governance structure.

### Board of Directors

The Board of Directors is composed of six directors. In addition to its monthly ordinary meetings, the board holds extraordinary meetings on an as-required basis, focusing primarily on management decision-making and business execution supervision. Information concerning the directors’ performance is documented and recorded for future reference.

Also, based on an executive officer system that Nittobo introduced in June 2003, the Company’s executive officers are tasked with the execution of smooth business operations. At present, the number of executive officers stands at 12, of whom two are concurrently posted as directors. In conjunction with their executive responsibilities, the executive officers hold weekly meetings to deliberate on important business matters and make decisions on items that are passed down from the Board of Directors.

### Board of Corporate Auditors

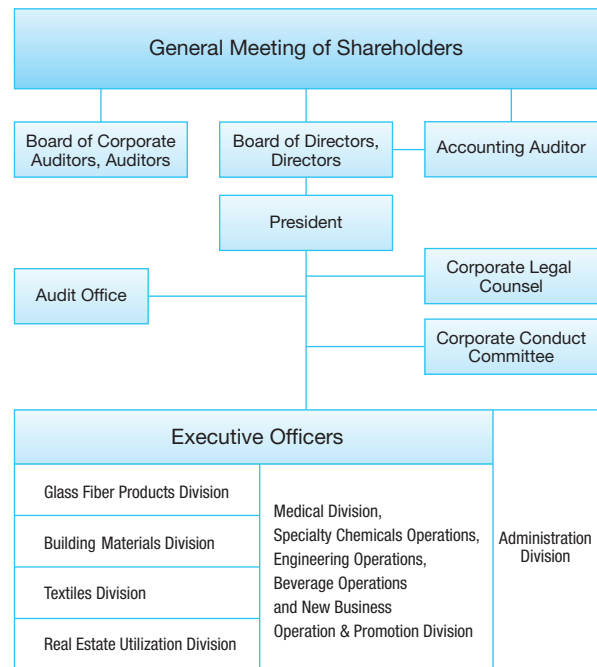
The Board of Corporate Auditors consists of four corporate auditors, including two external appointments. Full-time corporate auditors attend all of the weekly meetings organized by the executive officers. Corporate auditors are provided with opportunities to exchange opinions with the Company’s representative director on a regular basis, while directly receiving reports on business execution status from general employees.

Furthermore, the Board of Corporate Auditors holds meetings with the accounting auditor at least three times a year and monthly meetings with the Audit Office to confer on audit plans, progress status and results.

The Board of Corporate Auditors also formulates audit policies and determines the role of each corporate auditor in the auditing operations. Based on the board’s decisions, the corporate auditors monitor the directors’ performance.

### Internal Audit

Nittobo has established the Audit Office as an independent internal audit organization comprising seven personnel: three full-time employees and four concurrently appointed personnel. Major subsidiaries of the Company have also set up their own Audit Offices and are working to better secure operational soundness.



Supervision of the executive function and internal control systems



## Compliance

### Internal Control Systems

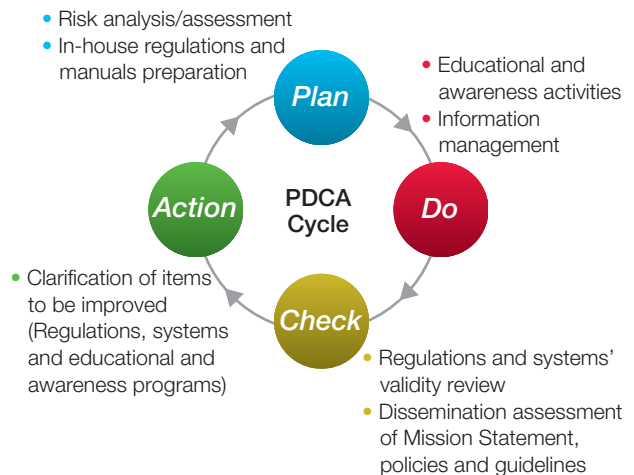
As principles that underlie its internal control systems, Nittobo has formulated a “Mission Statement” and “Code of Behavior.” As top management is proactively setting best-practice examples of these principles, the Company is stepping up efforts to disseminate the principles and promote best practice throughout the Nittobo Group.

As part of the Group’s endeavors to improve the effectiveness of internal control systems, Nittobo established a Corporate Conduct Promotion Office in October 2006 by redefining the role of the Corporate Conduct Follow-up Committee, which had served as an organizer of the Company’s internal control systems under the direction of the Corporate Conduct Committee. As a permanent organization, the Corporate Conduct Promotion Office implements periodical reviews of in-house regulations and systems through a plan-do-check-action (PDCA) cycle, so that the Group’s compliance and risk management systems based on the internal control systems function properly and effectively.

Moreover, the Company receives guidance from its corporate legal counsel regarding compliance-related matters, while having a whistle-blowing system in operation to better prevent or correct corporate misconduct within the Group.

### Risk Management

Nittobo is striving to identify a myriad of risks in its businesses, raise the awareness of these risks within the Group employees and ultimately prevent its exposure to them. All these risk management activities are undertaken in accordance with the Company’s “Rules for Crisis Management.” In addition to these fundamental risk management activities, the Company has a system in place to counter risk exposure associated with incidents that are difficult to foresee: in the event that such a contingency as a product defect or a natural disaster occurs, the Company swiftly sets up a task force headed by the president to minimize the damage and other adverse effects on its operations and performance. In addition, as ongoing efforts to better identify risks, prevent exposure to them and minimize the impact from the aftermath of risk exposure, the Company is vigorously implementing initiatives to improve its corporate culture and operational processes and secure a high level of management transparency, as well as educating its employees on risk management.



## 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>Managing Directors</i>	Sakae Yamazaki
		Seikou Kotani
	<i>Directors</i>	Makoto Gotoh
		Shizuo Tada
<hr/>		
Corporate Auditors	<i>Full-Time Auditors</i>	Hideo Kanatani
	<i>Auditors</i>	Kiyohide Nakazato
		Hiroshi Nakamura**
		Keisuke Sasahara**
<hr/>		
Executive Officers	<i>Managing Executive Officer</i>	Tadanori Kitamura
	<i>Executive Officers</i>	Masanori Koyama
		Fumio Nagamine
		Tsutomu Mitsufuji
		Toshihiro Miyai
		Hideo Ishimoto
		Katsuhiro Katayama
		Nobuo Kawabata
	Isao Furusawa	

(As of July 1, 2007)

\* 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
	2007	2006	2005	2004	2003	2002	2007
<b>Years ended March 31</b>							
Net sales	¥138,776	¥130,442	¥130,292	¥127,312	¥127,950	¥125,057	\$1,175,568
Cost of sales	103,582	98,552	99,528	99,923	101,805	100,967	877,440
Selling, general and administrative expenses	23,815	24,406	23,856	24,138	24,502	25,494	201,735
Operating income (loss)	11,379	7,484	6,908	3,251	1,643	(1,404)	96,393
Income (loss) before income taxes and minority interests	8,007	5,390	6,471	3,165	2,316	(1,180)	67,824
Income taxes	3,247	1,747	3,187	1,177	2,003	440	27,499
Net income (loss)	4,615	3,471	3,158	1,870	219	(1,041)	39,094
Total assets	164,911	159,311	162,904	161,549	174,103	182,965	1,396,955
Total equity	72,025	67,200	62,128	61,070	59,832	61,011	610,123
Capital expenditures	6,799	7,629	9,994	3,289	2,773	7,473	57,592
Depreciation expense	5,337	5,359	5,457	6,225	7,496	7,864	45,206
Per share data:							
Net income (loss) (Yen/U.S. dollars)	¥ 18.66	¥ 14.03	¥ 12.76	¥ 7.56	¥ 0.88	¥ (4.20)	\$ 0.158
Cash dividend (Yen/U.S. dollars)	3.00	3.00	3.00	3.00	3.00	3.00	0.025
Shareholders' equity ratio (%)	42.5	42.2	38.1	37.8	34.4	33.3	
Return on equity (%)	6.7	5.4	5.1	3.1	0.4	(1.7)	
Number of employees (Person)	3,647	3,804	3,908	4,018	4,101	4,219	

Notes: 1. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥118.05=US\$1.

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

3. According to a new accounting standard for presentation of equity, which is effective for fiscal years ending on or after May 1, 2006, stock acquisition rights, minority interests and any deferred gain or loss on derivatives under hedge accounting are now presented as components of equity. Accordingly the amount of equity as of March 31, 2007 is not directly comparable to shareholders' equity of prior years, stated above.

## Consolidated Financial Review

### SCOPE OF CONSOLIDATION

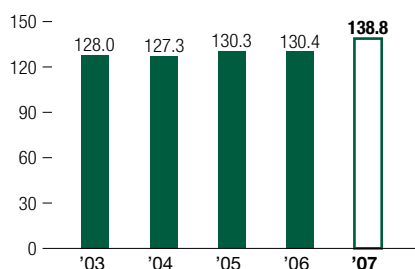
The accompanying consolidated financial statements have been prepared from accounting records maintained by Nitto Boseki Co., Ltd. ("Nittobo" or "the Company"), its 27 consolidated subsidiaries, and two affiliates using the equity method.

### NET SALES

Consolidated net sales for fiscal 2007, the fiscal year from April 1, 2006 through March 31, 2007, amounted to ¥138,776 million, an increase of ¥8,334 million compared with the previous fiscal year. Despite decreased sales in the Textiles Division, the growth of net sales is attributable to the expanded sales volume of thermal insulation materials in the Building Materials Division as well as sustained robust performance of the Glass Fiber Products Division, particularly in the areas of printed circuit board (PCB) substrates, fiber reinforced plastics (FRPs) and industrial-use fabrics.

#### Net Sales

(Billions of yen)



### SEGMENT INFORMATION

#### Glass Fiber Products Division

Nittobo enjoyed increased sales of glass fiber yarn and fabric for PCB substrates, buoyed by strong demand, primarily for fine yarn and thin fabrics, which more than offset the adverse effect of inventory adjustments by some customers during the second half of fiscal 2007.

Sales of glass fiber for FRPs were strong due to favorable conditions in the home appliances field, supported by an increase in housing starts, along with continued healthy demand in the automobile and home electronics categories.

Overall performance of industrial-use fabrics was steady, owing to expanded applications, primarily in building interiors and aircraft.

As a result, sales in the Glass Fiber Products Division surged 10.4% to ¥53,226 million.

#### Building Materials Division

Performance of thermal insulation materials was solid in both the residential and nonresidential construction fields. In the residential construction field, where total construction starts measured by floor area continued to grow, the use of thicker insulation materials spread in residential buildings, helping them to comply better with energy-saving standards. In the nonresidential construction field, improved capital investments in the private sector generated strong demand for materials. Due to these favorable conditions, sales of both rock wool and glass wool experienced steady growth, contributing to the solid results in the thermal insulation materials category.

In interior materials, the sales volume of mainstay fireproof acoustic ceiling panels decreased, which resulted from the product lineup streamlined through the July 2006 discontinuation of the Company's Wakayama Factory operations. Sales of flooring materials also declined, adversely affected by shrunk demand for general-purpose tile and stagnant performance of non-vinyl type tile used in convenience store buildings.

Sales in the environmental business steadily expanded, boosted by increased orders for asbestos removal work.

Accordingly, sales of the Building Materials Division grew 3.7% to ¥54,120 million.

#### Textiles Division

In core yarn and stretch fabric C·S·Y<sup>®</sup>, although demand for their applications in denim items improved slightly during the second half of the period, overall results were weak because of slowed performance in casual wear applications on the domestic and export fronts. Nittobo worked to expand sales by launching new materials and applications. However, these efforts did not prove to be effective enough to decelerate the sales decline.

Meanwhile, sales of new differentiated garment interlining products expanded. The favorable result is attributed to the Company's effective sales structure, achieved by centralizing domestic marketing functions in Nittobo INTERLINING Co., Ltd. In addition, Nittobo (China) Co., Ltd. improved its sales of the garment interlining products in China, also contributing to the healthy sales growth in this category.

These mixed results in the Textiles Division generated sales of ¥12,851 million, down 0.3% from the previous fiscal year.

#### Real Estate Utilization Division

In the lease business, office building leasing and sports facility operations performed well. However, sales in this business fell, negatively impacted by the December 2005 sale of a commercial lease facility in Koriyama City, Fukushima Prefecture.

As a result of the aforementioned, sales of the Real Estate Utilization Division slid 20.2% compared with the previous fiscal year to ¥1,605 million.

## Other Operations

The Medical Division, which mainly handles clinical diagnostic reagents, faced an increasingly severe operating environment in Japan caused by revisions to medical service fees and the trend of reducing the amount of reagents used with analytical equipment. In this environment, the Company stepped up efforts to acquire new customers and pioneer new clinical testing fields, consequently securing the same level of sales as the previous fiscal year. This, coupled with an increase in exports, led to the expanded sales in the division.

In the functional-polymer products category of our Specialty Chemicals Operation, solid sales of raw materials used for household products and inkjet printers sufficiently compensated for weak sales of dye fixatives. Accordingly, the Specialty Chemicals Operation sales showed a steady increase.

In its engineering business, the Company completed several large-scale, acoustic-related construction projects during fiscal 2007 and achieved sound sales growth.

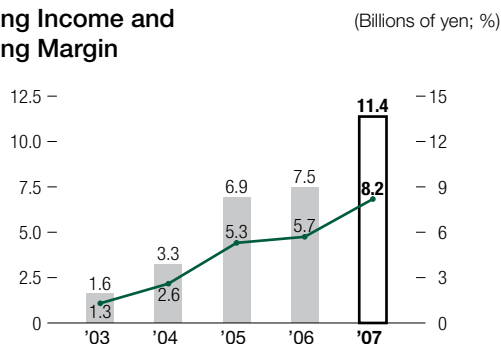
Nittobo's Beverage Operations also enjoyed increased sales, leveraging the Company's formidable production and marketing structures, which have been reinforced in line with the production line upgrading undertaken in 2005.

As a result, sales of Other Operations totaled ¥16,974 million, a year-on-year increase of 12.0%.

## OPERATING EXPENSES, OPERATING INCOME

The cost of sales for fiscal 2007 amounted to ¥103,582 million, an increase of ¥5,030 million over the previous fiscal year. Positive factors, including improved net sales, however, offset this increase in costs, pushing up gross profit ¥3,304 million to ¥35,194 million. As a result, operating income soared ¥3,895 million from the previous fiscal year to ¥11,379 million.

### Operating Income and Operating Margin



## OTHER INCOME (EXPENSES), INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

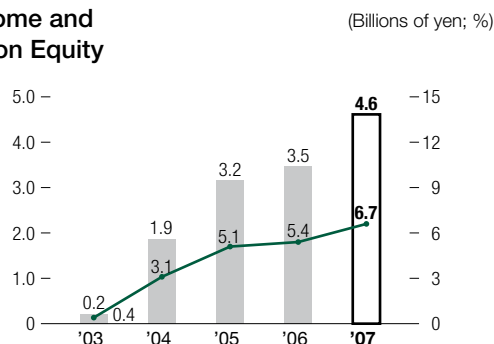
Principal items in other income and expenses included interest income, interest expenses, and nonrecurring other income and expenses (extraordinary income and loss) such as the equity in earnings of affiliates. In specific terms, a ¥615 million gain on the sale of investments in securities contributed to ¥672 million in extraordinary income. Extraordinary loss totaled ¥4,102 million, which included a restructuring cost of ¥2,711 million.

As a result, income before income taxes and minority interests amounted to ¥8,007 million, a year-on-year increase of 48.6%, or ¥2,617 million.

## NET INCOME

Corporate, enterprise and inhabitants' tax, together with the application of tax-effect accounting and consideration of deferred income taxes, resulted in a tax expense of ¥3,247 million, a ¥1,500 million increase from the previous fiscal year. This represented a ratio of tax expenses to income before income tax and minority interests of 40.5%, as compared with 32.4% in fiscal 2006. As a result, net income for the period increased ¥1,144 million, or 33.0%, from the previous fiscal period to ¥4,615 million.

### Net Income and Return on Equity



## FINANCIAL POSITION

As of March 31, 2007, total assets amounted to ¥164,911 million, an annual increase of ¥5,600 million from the end of fiscal 2006.

Current assets increased ¥7,178 million to ¥95,230 million, the major contributory factors of which were a ¥3,867 million increase in cash on hand and in banks and a ¥1,779 million increase in receivables from non-consolidated subsidiaries and affiliates. Net property, plant and equipment and total investments and other assets totaled ¥69,681 million, a ¥1,578 million year-on-year decline that is attributable mainly to a ¥3,318 million drop in machinery and equipment.

The total of current liabilities and long-term liabilities stood at ¥92,886 million at the end of fiscal 2007, up ¥2,517 million from the end of fiscal 2006.

Current liabilities increased ¥7,478 million to ¥55,993 million, due mainly to increases of ¥4,096 million and ¥3,306 million in current portion of long-term debt and payables, respectively. Long-term liabilities decreased ¥4,961 million to ¥36,893 million, owing largely to a ¥4,819 million decrease in long-term debt. This long-term debt decrease also contributed to an improvement in the interest-bearing debt ratio, which represents the ratio of interest-bearing debt to total assets, from 22.0% as of the end of fiscal 2006 to 20.6%.

## CASH FLOWS

### Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥9,760 million, a year-on-year improvement of ¥11,356 million compared with fiscal 2006. Major components included income before income taxes and minority interests of ¥8,007 million, which showed an annual increase of ¥2,617 million, and an increase of ¥3,736 million in trade payables, which surged ¥3,718 million year on year, as well as payments of ¥2,668 million for restructuring, which rose ¥1,588 million from fiscal 2006.

### Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥3,851 million, as compared with the ¥444 million provided by investing activities in fiscal 2006. Proceeds from the sale of investment securities of ¥724 million, which decreased ¥359 million year on year, were more than offset by cash outflows such as ¥4,770 million used for purchases of property, plant and equipment, which showed a year-on-year decline of ¥1,984 million.

### Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥2,044 million, a ¥4,105 million decrease from fiscal 2006. This significant decrease was attributed to proceeds from long-term debt of ¥5,400 million, which shrank ¥4,660 million year on year, but it was not enough to compensate for cash outflows that included a ¥457 million decrease in short-term bank loans, as compared with ¥7,684 million in fiscal 2006, and repayments of long-term debt of ¥6,192 million, which amounted to ¥7,741 million in the previous fiscal year.

## R&D EXPENDITURE, PATENTS

Nittobo allows each Division to take initiatives in the development of new products and technologies and the upgrading of product quality. At the same time, the Company is undertaking cross-divisional R&D projects on fundamental and core technologies and next-generation products. The NEXT Committee, which is organized by the Technical Headquarters and spearheads all the organizations within the Company, is responsible for centrally coordinating these challenging R&D activities. During fiscal 2007, Nittobo spent ¥1,381 million on its R&D activities.

As of March 31, 2007, the number of patents held in Japan and overseas by the Company totaled 562, and the Company made a total of 51 patent applications in Japan and overseas during fiscal 2007.

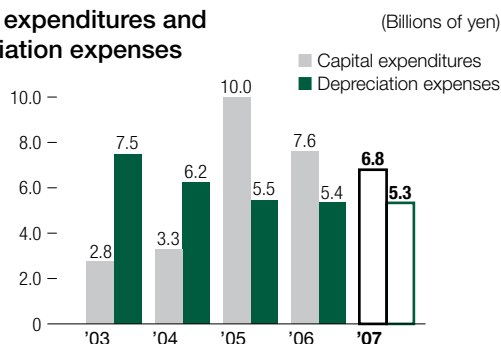
## CAPITAL EXPENDITURES, DEPRECIATION EXPENSES

Capital expenditure by each Division during fiscal 2007 was channeled into the maintenance and upgrading of their facilities, strengthening of production capacity and optimization of product lineup by shifting to high-value-added products. As a result, the Company's capital expenditure for the period amounted to ¥6,799 million.

A breakdown of this figure by division shows: the Textiles Division spent ¥1,005 million for the construction of new garment interlining manufacturing facilities and plants and maintenance and upgrading of existing facilities; the Building Materials Division spent ¥1,807 million to boost rock wool and glass wool production capacity and renovate related facilities; and the Glass Fiber Products Division invested ¥3,499 million to expand glass fiber production capacity, streamline product lineup with more high-value-added glass fiber products and upgrade their existing glass fiber fabric manufacturing facilities.

Depreciation expenses for the period totaled ¥5,337 million, down ¥22 million from fiscal 2006.

### Capital expenditures and Depreciation expenses



## BUSINESS RISKS

Risks that may have a significant impact on the Company's performance and financial standing include the following.

### Risks Associated with Fluctuations in IT-related Demand

The Glass Fiber Products Division, Nittobo's mainstay business, handles glass fiber yarn and fabrics for IT-use PCB substrates, which are susceptible to dynamic market fluctuations. The Company is advancing its restructuring to focus on areas where such fluctuations are of a relatively smaller scale. However, should such fluctuations grow to a considerable level, the Company's performance and financial results may be materially affected.

### Risks Associated with Fluctuations in Exchange Rates

The Glass Fiber Products Division, which sustains high overseas sales ratios, is constantly working to minimize its exposure to exchange rate related risks by carefully observing rate fluctuations and effectively utilizing forward-exchange contracts. However, it is not possible to completely avert the negative impact of rate fluctuations, and accordingly, the Company's performance and financial results may be adversely affected in such circumstances.

In addition, Nittobo is endeavoring to differentiate its products in individual Divisions in terms of quality, functionality and services. The Company acknowledges that some products manufactured by overseas companies are competitive enough to replace Nittobo products, depending on the conditions in the foreign exchange market. Should the foreign exchange market turn favorable to these competitors, the Company's products may lose their price competitiveness against imported products in the Japanese market, and this may negatively impact the Company's performance and financial results.

### Risks Associated with Raw Materials and Fuel Prices

Nittobo consumes a great amount of crude oil and other fuels in the manufacture of its mainstay products, namely, glass fiber, rock wool and glass wool. Because of the nature of its business, the Company may be exposed to risks associated with fluctuations in the price of crude oil, fuels and other raw materials. Despite the Company's efforts to shift to more inexpensive fuels and promote energy saving, a sharp rise in crude oil prices and consequent surge in prices of other fuels and raw materials may have an adverse effect on the Company's performance and financial results.

## Consolidated Financial Data

### Consolidated Balance Sheets

Nitto Boseki Co., Ltd. and Consolidated Subsidiaries

As of March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
<b>ASSETS</b>			
Current assets:			
Cash and bank deposits	¥ 20,419	¥ 16,552	\$ 172,970
Receivables:			
Notes and accounts—trade	46,109	42,180	390,585
Non-consolidated subsidiaries and affiliates	472	1,001	4,001
Other	1,025	598	8,682
Less: Allowance for doubtful accounts	(138)	(156)	(1,170)
Inventories (Note 3)	24,880	24,975	210,756
Deferred tax assets (Note 11)	2,051	1,821	17,373
Prepaid expenses and other current assets	412	1,081	3,491
Total current assets	<u>95,230</u>	<u>88,052</u>	<u>806,688</u>
Property, plant and equipment (Notes 4 and 6):			
Land	17,673	17,570	149,708
Buildings and structures	49,294	48,988	417,568
Machinery and equipment	106,864	110,182	905,250
Construction in progress	700	1,215	5,926
Less: Accumulated depreciation	(124,374)	(127,275)	(1,053,574)
Net property, plant and equipment	<u>50,157</u>	<u>50,680</u>	<u>424,878</u>
Investments and other assets:			
Investment securities (Note 7)	9,021	11,031	76,414
Investments in and advances to unconsolidated subsidiaries and affiliates	3,282	3,595	27,802
Deferred tax assets (Note 11)	2,374	1,612	20,114
Consolidation goodwill		17	
Other assets	4,847	4,324	41,059
Total investments and other assets	<u>19,524</u>	<u>20,579</u>	<u>165,389</u>
Total	<u>¥164,911</u>	<u>¥159,311</u>	<u>\$1,396,955</u>

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Short-term bank loans (Note 5)	¥ 6,127	¥ 6,515	\$ 51,904
Current portion of long-term debt (Note 6)	10,105	6,009	85,598
<b>Payables:</b>			
Notes and accounts-trade	27,260	22,894	230,918
Unconsolidated subsidiaries and affiliates	57	380	485
Other	3,007	3,003	25,470
Income taxes payable (Note 11)	2,763	2,340	23,408
Deferred tax liabilities (Note 11)	37	30	314
Accrued expenses and other current liabilities	6,637	7,344	56,213
Total current liabilities	55,993	48,515	474,310
<b>Long-term liabilities:</b>			
Long-term debt (Note 6)	17,697	22,516	149,911
Liability for retirement benefits (Note 8)	12,432	12,494	105,311
Retirement allowances for directors and corporate auditors	347	297	2,943
Reserve for rebuilding furnaces	3,950	4,171	33,458
Deferred tax liabilities (Note 11)	41	80	350
Other long-term liabilities	2,426	2,296	20,549
Total long-term liabilities	36,893	41,854	312,522
Minority interests		1,742	
<b>Commitments and Contingent liabilities (Notes 9, 14 and 15)</b>			
<b>Equity (Notes 10 and 16):</b>			
Common stock, authorized, 400,000,000 shares; issued, 247,677,560 shares in 2007 and 2006	19,699	19,699	166,873
Capital surplus	23,062	23,062	195,363
Retained earnings	24,307	20,455	205,903
Unrealized gain on available-for-sale securities	3,175	4,181	26,897
Foreign currency translation adjustments	(19)	(133)	(168)
Treasury stock, at cost 456,494 shares in 2007 and 383,455 shares in 2006	(92)	(64)	(780)
Total	70,132	67,200	594,088
Minority interests	1,893		16,035
Total equity	72,025	67,200	610,123
Total	¥164,911	¥159,311	\$1,396,955



## Consolidated Statement of Changes in Equity

Nitto Boseki Co., Ltd. and Consolidated Subsidiaries

For the years ended March 31, 2007 and 2006

	Millions of yen								
	Outstanding Number of Shares of Common Stock (thousands)	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Minority Interest	Total Equity
Balance as of April 1, 2005	247,678	¥19,699	¥23,062	¥17,792	¥2,695	¥(1,075)	¥(45)		¥62,128
Adjustment of retained earnings for newly consolidated subsidiaries				(66)					(66)
Net income				3,471					3,471
Cash dividends, ¥3.00 per share				(742)					(742)
Others—net					1,486	942	(19)		2,409
Balance as of March 31, 2006	247,678	¥19,699	¥23,062	¥20,455	¥4,181	¥ (133)	¥(64)		¥67,200
Reclassified balance as of March 31, 2006 (Note 2. b)								1,742	1,742
Adjustment of retained earnings for newly consolidated subsidiaries				(21)					(21)
Net income				4,615					4,615
Cash dividends, ¥3.00 per share				(742)					(742)
Purchase of treasury stock							(28)		(28)
Net change in the year					(1,006)	114		151	(741)
Balance as of March 31, 2007	247,678	¥19,699	¥23,062	¥24,307	¥3,175	¥ (19)	¥(92)	¥1,839	¥72,025

	Thousands of U.S. dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Minority Interest	Total Equity	
Balance as of March 31, 2006	\$166,873	\$195,363	\$173,277	\$35,416	\$(1,127)	\$(542)		\$569,260	
Reclassified balance as of March 31, 2006 (Note 2. b)							14,754	14,754	
Adjustment of retained earnings for newly consolidated subsidiaries			(182)					(182)	
Net income			39,094					39,094	
Cash dividends, \$0.025 per share			(6,286)					(6,286)	
Purchase of treasury stock						(238)		(238)	
Net change in the year				(8,519)	959		1,281	(6,279)	
Balance as of March 31, 2007	\$166,873	\$195,363	\$205,903	\$26,897	\$ (168)	\$(780)	\$16,035	\$610,123	

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statements of Cash Flows

Nitto Boseki Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 8,007	¥ 5,390	\$ 67,824
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:			
Income taxes paid	(3,037)	(3,857)	(25,727)
Depreciation and amortization	5,337	5,359	45,206
Loss on impairment of long-lived assets	181	1,376	1,533
Loss (gain) on sale and devaluation of securities—net	(612)	(772)	(5,186)
Loss (gain) on sale and disposal of tangible and intangible assets—net	277	(1,556)	2,342
Restructuring cost	2,711	2,247	22,962
Equity in earnings of affiliates	(731)	(454)	(6,196)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in trade receivables	(3,413)	(2,749)	(28,915)
Decrease (increase) in inventories	151	(617)	1,282
Increase in trade payables	3,736	18	31,648
Decrease in long-term deposits payable	(3)	(4,289)	(25)
Decrease in liability for retirement benefits	(131)	(246)	(1,111)
Payments for restructuring	(2,668)	(1,080)	(22,598)
Others—net	(45)	(366)	(360)
Net cash provided by (used in) operating activities	9,760	(1,596)	82,679
Cash flows from investing activities			
Decrease in time deposits—net	105	16	889
Purchases of property, plant and equipment	(4,770)	(6,754)	(40,407)
Proceeds from sale of property, plant and equipment	33	6,728	280
Purchases of investment securities	(11)	(729)	(94)
Proceeds from sale of investment securities	724	1,083	6,129
Other—net	68	100	582
Net cash (used in) provided by investing activities	(3,851)	444	(32,621)
Cash flows from financing activities:			
Decrease in short-term bank loans-net	(457)	(7,684)	(3,868)
Proceeds from long-term debt	5,400	10,060	45,743
Repayments of long-term debt	(6,192)	(7,741)	(52,451)
Dividends paid	(744)	(742)	(6,303)
Other—net	(51)	(42)	(436)
Net cash used in financing activities	(2,044)	(6,149)	(17,315)
Foreign currency translation adjustments on cash and cash equivalents	55	88	466
Net increase (decrease) in cash and cash equivalents	3,920	(7,213)	33,209
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	52	41	437
Cash and cash equivalents, beginning of year	16,399	23,571	138,914
Cash and cash equivalents, end of year	¥ 20,371	¥ 16,399	\$ 172,560

The accompanying notes are an integral part of these consolidated financial statements.

## Notes to Consolidated Financial Statements

### Note 1: Basis of presenting consolidated 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 Financial Reporting 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. In addition, certain reclassification have been made in the 2006 financial statements to conform to the classifications used in 2007.

(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 ¥118.05 to US\$1, prevailing on March 30, 2007, 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.

(c) On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

### Note 2: Significant accounting policies

#### (a) Consolidation

The consolidated financial statements as of March 31, 2007 include the accounts of the Company and its 27 significant (27 in 2006) subsidiaries (the "Companies").

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

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of five years.

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

The equity method is being applied to two affiliates, namely Decolanitto Corporation and NITTOBO ASCO Glass Fiber Co., Ltd. Fourteen unconsolidated subsidiaries and eight affiliates 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 unconsolidated 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 equity, which is translated at the historical rate. 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" and "Minority interests in consolidated subsidiaries" in the "Equity" section.

#### (b) Business combination

In October 2003, the Business Accounting Council ("BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the ASBJ issued ASBJ Statement No.7, "Accounting Standard for Business Separations" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

## (c) Sales recognition

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

## (d) Foreign currency transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement.

## (e) 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)
	2007	2006	2007
Cash and bank deposits	¥20,419	¥16,552	\$172,970
Less: time deposits with maturities over three months	(48)	(153)	(410)
Total: cash and cash equivalents	¥20,371	¥16,399	\$172,560

## (f) Marketable and investment securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

All securities are classified as available-for-sale securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes reported in a separate component of equity. Non-marketable available-for-sale securities are stated at cost, determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

## (g) Inventories

Finished goods, work in process, raw materials, and supplies are stated principally at cost determined by the moving average method.

## (h) Property, plant and equipment

Property, plant and equipment are carried at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed principally by the declining-balance method at rates based on the estimated useful lives of the assets, while depreciation of the buildings purchased from April 1, 1998 is computed on the straight-line method based on the estimated useful lives of the assets.

Depreciation of all property, plant and equipment of consolidated foreign subsidiaries is computed on the straight-line method based on the estimated useful lives of the assets.

Representative useful lives are as follows:

Building and structures	3–50 years
Machinery and equipment	3–22 years

## (i) Long-lived assets

In August 2002, the BAC issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the ASBJ issued ASBJ Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004. The Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(j) Liability for 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).

(k) Retirement allowances for directors and corporate auditors

Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

(l) Reserve for rebuilding furnaces

Reserve for rebuilding furnaces is provided for based on estimated costs to be incurred at the next periodic repair works on its facilities over the service period until the next repair works.

(m) Presentation of Equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

(n) Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(o) Income taxes

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

(p) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

(q) Derivatives and hedging activities

The Companies uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

The foreign currency forward contracts employed to hedge foreign exchange exposures for export sales are measured at the fair value and the unrealized gains/losses are recognized in income.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

(r) Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No.13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

(s) Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because the Companies have nothing which might dilute the per share information for the year ended March 31, 2007 and 2006.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(t) New accounting pronouncements

**Measurement of Inventories**

Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

**Lease Accounting**

On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

### **Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**

Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements; 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process; 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

- (1) Amortization of goodwill
- (2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
- (3) Capitalization of intangible assets arising from development phases
- (4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
- (5) Retrospective application when accounting policies are changed
- (6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

### **Note 3: Inventories**

Inventories as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Finished goods	¥11,161	¥ 11,691	\$ 94,544
Work in process	3,219	3,368	27,271
Raw materials and supplies	10,500	9,916	88,941
	¥24,880	¥24,975	\$210,756

### **Note 4: Long-lived assets**

The Companies recognized an impairment loss on the following fixed assets as of the end of the fiscal year under review.

Concerning the Companies' calculation of impairment loss, assets will be divided into business-use assets, lease assets, idle assets and common-use assets, with business-use assets being further grouped by individual property as lease assets or idle assets for accounting management purposes.

In regard to business-use assets, the Company decided to dispose of certain building material manufacturing equipment at the Chiba Plant during the consolidated fiscal year. As a result of this factor, the book value of these assets was reduced to recoverable value. In addition, although recoverable value is measured through use value, discount calculations are not conducted on account of future cash flows being negative.

In regard to idle assets, we are not able to forecast the future use of certain glass fiber manufacturing equipment at the Fukushima plant and certain equipment at the Wakayama plant due to the use change. Therefore, their book value was reduced to recoverable value. Recoverable value is primarily measured through net sales value based on a transfer agreement.

The Companies recorded impairment losses of ¥724 million (\$6,133 thousand), of which ¥543 million (\$4,600 thousand) was included in the restructuring cost of ¥2,711 million (\$22,962 thousand) as expenses associated with the Company's initiative to strengthen business structure for the year ended March 31, 2007.

The Companies recorded impairment losses of ¥1,376 million for the year ended March 31, 2006.

**Note 5: Short-term bank loans**

The weighted average interest rates on these loans were 1.78% and 1.54% as of March 31, 2007 and 2006, respectively.

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

The outstanding balance as of March 31, 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2007	2007
Total amount of credit lines	¥10,000		\$84,710
Total outstanding balance of the loans	500		4,235
Total unused lines amount	¥ 9,500		\$80,475

**Note 6: Long-term debt and pledged assets****(a) Long-term debt**

Long-term debt as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Loans from banks and other financial institutions, due serially to 2012 with interest rates ranging from 1.10% to 3.08% (2007) and from 1.19% to 2.73% (2006)			
Collateralized	¥ 4,750	¥ 4,576	\$ 40,237
Unsecured	23,052	23,949	195,272
Total	27,802	28,525	235,509
Less current portion: Amount due within one year	10,105	6,009	85,598
Total	¥17,697	¥22,516	\$ 149,911

The annual maturities of long-term debt outstanding as of March 31, 2007 were as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2007	2007
2008	¥10,105		\$ 85,598
2009	6,773		57,373
2010	3,933		33,319
2011	3,725		31,553
2012 and thereafter	3,266		27,666
Total	¥27,802		\$235,509

**(b) Pledged assets**

A summary of assets pledged as collateral for long-term debt as of March 31, 2007 and 2006, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Property, plant and equipment (net of accumulated depreciation)	¥4,806	¥4,680	\$40,713

## Note 7: Marketable and investment securities

Marketable and investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Non-current:			
Marketable equity securities	¥ 7,753	¥ 9,763	\$65,673
Other	1,268	1,268	10,741
Total	¥ 9,021	¥ 11,031	\$76,414

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2007 and 2006 were as follows:

March 31, 2007	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,641	¥5,200	¥88	¥7,753
March 31, 2006				
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,736	¥7,029	¥ 2	¥9,763

March 31, 2007	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	\$22,376	\$44,048	\$751	\$65,673

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying amount		Thousands of U.S. dollars (Note 1)
	Millions of yen		2007
	2007	2006	
Available-for-sale:			
Equity securities	¥1,268	¥1,268	\$10,741

Proceeds from sales of available-for-sale securities for the year ended March 31, 2007 and 2006 were ¥ 724 million (\$ 6,129 thousand) and ¥ 1,083 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥ 615 million (\$ 5,208 thousand) and 963 million, respectively for the year ended March 31, 2007 and 2006. Gross realized loss was ¥ 9 million for the year ended March 31, 2006.

**Note 8: 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, 2007, the lump-sum severance indemnity plans are applied by the Company and 15 subsidiaries, and the qualified pension plans are applied by the Company and eight subsidiaries. Only the Company applies contributory funded defined benefit pension plans.

The liability for retirement benefits as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Projected benefit obligation	¥26,441	¥27,489	\$223,978
Fair value of plan assets	(7,942)	(7,998)	(67,278)
Unrecognized transitional obligation	(4,606)	(5,145)	(39,014)
Unrecognized actuarial loss	(2,423)	(2,866)	(20,523)
Unrecognized prior service cost	768	832	6,505
Prepaid pension cost	194	182	1,643
Net liability for retirement benefits	¥12,432	¥12,494	\$105,311

The components of net periodic benefit costs for the year ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Service cost	¥ 1,106	¥ 704	\$ 9,370
Interest cost	576	598	4,881
Expected return on plan assets	(180)	(139)	(1,521)
Amortization of prior service cost	(33)	(46)	(283)
Recognized actuarial loss	456	718	3,861
Amortization of transitional obligation	578	569	4,894
Net periodic benefit costs	¥ 2,503	¥ 2,404	\$ 21,202

Assumptions used for the year ended March 31, 2007 and 2006 were set forth as follows:

	2007	2006
Discount rate	2.5 %	2.5 %
Expected rate of return on plan assets	3.0 %	3.0 %
Recognition period of actuarial gain/loss	15-17 years	15-17 years
Amortization period of transitional obligation	15 years	15 years
Amortization period of prior service cost	15 years	15 years

**Note 9: Contingent liabilities**

As of March 31, 2007 and 2006, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Notes endorsed for payment	¥145	¥ 5	\$1,226
Guarantees of loans:			
Other companies	4	4	30
Employees' housing loans	10	16	88
Total	¥ 14	¥20	\$ 118

## Note 10: Equity

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

### (a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥ 3 million.

### (b) Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

### (c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

## Note 11: Income taxes

Income taxes applicable to the Companies comprise (1) corporate tax, (2) enterprise tax, and (3) inhabitants' tax, and the normal effective statutory tax rate was 40.5% for the fiscal years ended March 31, 2007 and 2006, respectively.

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

	2007	2006
Normal effective statutory tax rate	40.5 %	40.5 %
Reconciliation:		
Expenses not deductible for income tax purposes	1.1 %	2.6 %
Per capita portion of inhabitants taxes	0.9 %	1.3 %
Non-taxable dividend income	(2.0) %	(1.4) %
Dividends from consolidated subsidiaries eliminated for consolidation purposes	1.8 %	4.5 %
Lower income tax rates applicable to income in certain foreign countries	(1.3) %	(2.2) %
Valuation allowance	4.3 %	(11.8) %
Equity in earnings of associated companies	(3.7) %	(3.4) %
Other—net	(1.1) %	2.3 %
Actual effective tax rate	40.5 %	32.4 %

The significant components of deferred tax assets and deferred tax liabilities recorded on the consolidated balance sheets as of March 31, 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Gross deferred tax assets:			
Accrued bonuses	¥ 895	¥ 836	\$ 7,579
Liability for retirement benefits	4,991	5,009	42,277
Special repair reserve	960	1,188	8,133
Loss on evaluation of securities	399	594	3,381
Tax loss carryforwards	210	468	1,778
Impairment loss of long-lived assets	670	473	5,674
Other	1,489	1,240	12,622
	9,614	9,808	81,444
Valuation allowance	(1,076)	(1,212)	(9,118)
Deferred tax assets	8,538	8,596	72,326
Gross deferred tax liabilities:			
Reserve for reduction of value in property, plant and equipment including amortization and other reserves	(2,149)	(2,316)	(18,208)
Unrealized gain on securities	(1,922)	(2,846)	(16,281)
Other	(120)	(111)	(1,014)
Deferred tax liabilities	(4,191)	(5,273)	(35,503)
Net deferred tax assets	¥ 4,347	¥ 3,323	\$36,823

## Note 12: Segment information

### (a) Information about 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.

Year ended March 31, 2007	Millions of yen						Consolidated
	Textiles	Building Materials	Glass Fiber Products	Real Estate Utilization	Other Operations	Eliminations/ Corporation	
Net sales							
Unaffiliated customers	¥12,851	¥54,120	¥53,226	¥ 1,605	¥16,974	¥	¥138,776
Intersegment	67	184	668		538	1,457	
Total	12,918	54,304	53,894	1,605	17,512	1,457	138,776
Operating expenses	12,679	52,184	46,264	1,071	15,835	636	127,397
Operating income	¥ 239	¥ 2,120	¥ 7,630	¥ 534	¥ 1,677	¥ 821	¥ 11,379
Total assets	¥17,581	¥43,222	¥58,360	¥ 7,879	¥13,914	¥23,955	¥164,911
Depreciation expense	496	1,246	2,667	169	408	351	5,337
Loss on impairment of long-lived assets	2	139	39			544	724
Capital expenditures	1,005	1,807	3,499	24	223	241	6,799
Year ended March 31, 2006							
Net sales							
Unaffiliated customers	¥12,887	¥52,198	¥48,194	¥ 2,011	¥15,152	¥	¥130,442
Intersegment	62	246	857		622	1,787	
Total	12,949	52,444	49,051	2,011	15,774	1,787	130,442
Operating expenses	13,384	51,092	43,596	1,346	14,742	1,202	122,958
Operating income (loss)	¥ (435)	¥ 1,352	¥ 5,455	¥ 665	¥ 1,032	¥ 585	¥ 7,484
Total assets	¥17,552	¥41,430	¥54,536	¥ 8,038	¥14,000	¥23,755	¥159,311
Depreciation expense	410	1,371	2,522	293	463	300	5,359
Loss of impairment of long-lived assets	120	1,021	120			115	1,376
Capital expenditures	202	1,989	3,196	1,536	391	315	7,629

Year ended March 31, 2007	Thousands of U.S. dollars (Note 1)						Consolidated
	Textiles	Building Materials	Glass Fiber Products	Real Estate Utilization	Other Operations	Eliminations/ Corporation	
Net sales							
Unaffiliated customers	\$108,862	\$458,445	\$450,878	\$ 13,599	\$143,784	\$	\$1,175,568
Intersegment	569	1,563	5,662		4,556	12,350	
Total	109,431	460,008	456,540	13,599	148,340	12,350	1,175,568
Operating expenses	107,407	442,052	391,902	9,069	134,140	5,395	1,079,175
Operating income	\$ 2,024	\$ 17,956	\$ 64,638	\$ 4,530	\$ 14,200	\$ 6,955	\$ 96,393
Total assets	\$148,933	\$366,137	\$494,370	\$ 66,741	\$117,865	\$202,909	\$1,396,955
Depreciation expense	4,203	10,556	22,589	1,435	3,459	2,964	45,206
Loss on impairment of long-lived assets	14	1,177	333			4,609	6,133
Capital expenditures	8,511	15,305	29,643	202	1,892	2,039	57,592

Sales to foreign customers for the years ended March 31, 2007 and 2006 amounted to ¥22,441 million (\$190,102 thousand) and ¥18,994 million, respectively.

(b) Information about geographic segment

Japan net sales and total assets of the Company and its domestic subsidiaries for the fiscal years ended March 31, 2007 and 2006 represented more than 90% of the consolidated net sales and total assets of the respective years. Accordingly, information about geographic segment is not disclosed.

### Note 13: Research and development costs

Research and development costs charged to income for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
	¥1,381	¥1,120	\$11,699

### Note 14: Leases

The Companies lease certain machinery, equipment and other assets.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense, interest expense, and other 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, 2007 and 2006 was as follows:

(a) Acquisition cost and accumulated depreciation of finance leases

	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2007			2006			2007		
	Machinery and Equipment	Other Assets	Total	Machinery and Equipment	Other Assets	Total	Machinery and Equipment	Other Assets	Total
Acquisition cost	¥94	¥1,951	¥2,045	¥399	¥2,130	¥2,529	\$796	\$16,529	\$17,325
Accumulated depreciation	55	1,052	1,107	316	1,055	1,371	469	8,910	9,379
Net leased property	¥39	¥899	¥938	¥83	¥1,075	¥1,158	\$327	\$7,619	\$7,946

(b) Obligations under finance leases

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Due within one year	¥379	¥441	\$3,213
Due after one year:	594	733	5,036
Total	¥973	¥1,174	\$8,249

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Depreciation expense	¥434	¥491	\$3,674
Interest expense	20	26	172
Total	¥454	¥517	\$3,846
Lease payments	¥454	¥521	\$3,847

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.

The minimum rental commitments under noncancellable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Due within one year	¥ 18	¥ 2	\$ 152
Due after one year	203	4	1,724
Total	¥221	¥ 6	\$1,876

**Note 15: Derivatives**

The Companies enter into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets denominated in foreign currencies. The Companies also enter into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amount.

The Companies had the following derivatives contracts outstanding at March 31, 2007 and 2006:

	(Millions of yen)					
	2007			2006		
	Contract Amount	Fair Value	Unrealized Gain / (Loss)	Contract Amount	Fair Value	Unrealized Gain / (Loss)
Foreign currency forward contracts:						
Selling U.S.\$	¥710	¥708	¥2	¥722	¥729	¥(7)

	(Thousands of U.S. Dollars)		
	2007		
	Contract Amount	Fair Value	Unrealized Gain / (Loss)
Foreign currency forward contracts:			
Selling U.S.\$	\$6,021	\$5,998	\$14

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria for the years ended March 31, 2007 and 2006 are excluded from the disclosure of market value information.

The contract amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Companies's exposure to credit or market risk.

## Note 16: Net income per share

Basis of computation of basic net income per share ("EPS") for the years ended March 31, 2007 and 2006 is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average shares	EPS	
<b>Year ended March 31, 2007</b>				
Basic EPS				
Net income available to common shareholders	<b>¥4,615</b>	<b>247,258</b>	<b>¥18.66</b>	<b>\$0.158</b>
<b>Year ended March 31, 2006</b>				
Basic EPS				
Net income available to common shareholders	¥3,471	247,326	¥14.03	

## Note 17: Subsequent event

At the annual shareholders' meeting, which was held by the Company on June 28, 2007, the following appropriation of retained earnings existing as of March 31, 2007 was duly approved.

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2007	2007
Appropriations of retained earnings:		
Cash dividends	<b>¥742</b>	<b>\$6,283</b>
Total	<b>¥742</b>	<b>\$6,283</b>

# Deloitte.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Nitto Boseki Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Nitto Boseki Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial position of Nitto Boseki Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu*

June 28, 2007

# Corporate Data/Investor Information

(As of March 31, 2007)

<b>Corporate Name</b>	Nittobo (Registered as Nitto Boseki Co., Ltd.)	<b>Date of Establishment</b>	April 22, 1918 Fukushima Seiren Seishi K.K.
<b>Main Branch</b>	Aza Higashi 1, Gonome, Fukushima 960-8161, Japan		April 1, 1923 Company name changed to Nitto Boseki Co., Ltd.
<b>Headquarters</b>	4-1-28, Kudankita, Chiyoda-Ku, Tokyo 102-8489, Japan Tel: +81-3-3514-3810 Fax: +81-3-3238-4588 URL: <a href="http://www.nittobo.co.jp/">http://www.nittobo.co.jp/</a>	<b>Paid-in Capital</b>	¥19.6 billion
		<b>Employees</b>	1,553 (Nonconsolidated) 3,647 (Consolidated)

## Main Offices and Factories

· Osaka Branch	4-3-10, Koraibashi, Chuo-ku, Osaka 541-0043, Japan (Nissei Fushimicho Building New Building)
· Nagoya Branch	1-17-13, Nishiki, Naka-ku, Nagoya, Aichi 460-0003, Japan (Meiko Building)
· Fukushima Factory	Aza Higashi 1, Gonome, Fukushima 960-8161, Japan
· Fukuyama Enterprise Center	Aza Shiojima 1, Fukuhara, Fukuyamacho, Koriyama-shi, Fukushima 963-8061, Japan
· Niigata Enterprise Center	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 664-8501, Japan
· Chiba Factory	Roppo-cho 210, Inage-ku, Chiba 263-0004, Japan
· Glass Fiber Developing Research Center (located in Fukushima Factory)	
· Biochemical Research Center (located in Fukuyama Enterprise Center)	

## Consolidated Subsidiaries

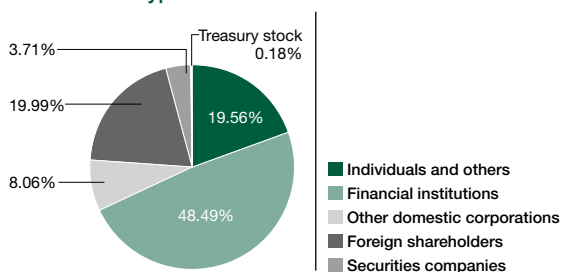
· Nittobo Materials Co., Ltd.
· Paramount Glass Manufacturing Co., Ltd.
· Soyo Co., Ltd.
· Nitto Glass Fiber Manufacturing Co., Ltd.
· Nittobo Acoustic Engineering Co., Ltd.
· Nittobo Togan Co., Ltd.
· Fuji Fiber Glass Co., Ltd.
· Nittobo Medical Co., Ltd.
· NTB TECHNOLOGY CO., LTD.
· Nittobo (China)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

and 13 other companies

## Share Information

Total Number of Shares Issued	247,677,560
Number of Shareholders	23,284

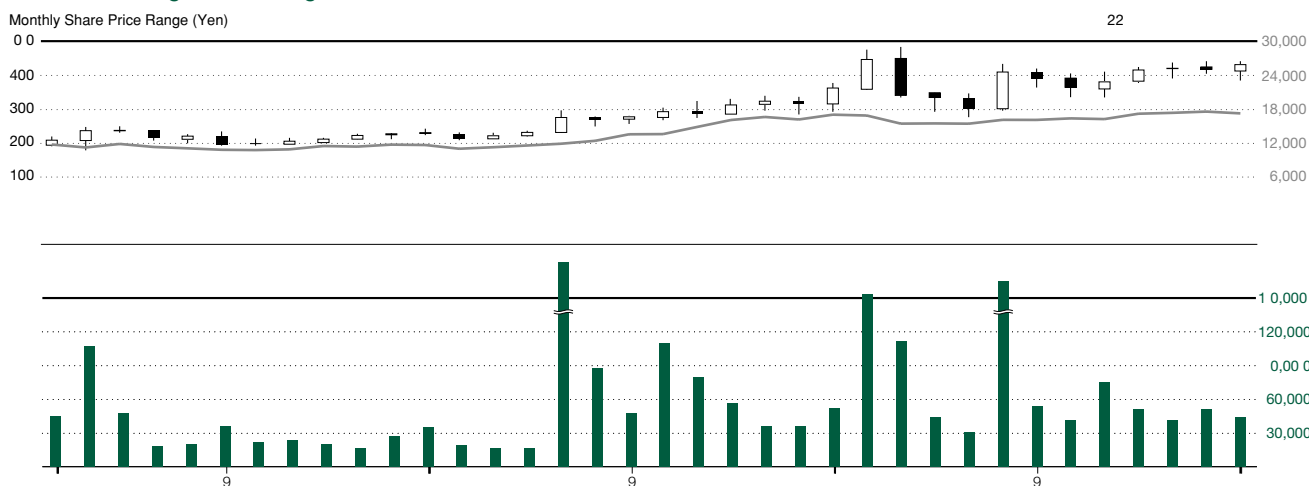
## Shareholder Type



## Major Shareholders

Name	Number of Shares Held (Thousands of shares)	Percentage of Shares Held (%)
Japan Trustee Services Bank, Ltd. (Trust account)	26,465	10.70
The Master Trust Bank of Japan, Ltd. (Trust account)	22,634	9.16
Mizuho Corporate Bank, Ltd.	11,958	4.84
Nippon Life Insurance Company	8,970	3.63
The Dai-ichi Mutual Life Insurance Company	6,580	2.66
Trust & Custody Services Bank, Ltd. (Trust account B)	5,542	2.24
Sumitomo Life Insurance Company	5,412	2.19
Morgan Stanley and Company, Inc.	4,305	1.74
Aioi Insurance Co., Ltd.	4,000	1.62
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	3,585	1.45

## Share Price Range and Trading Volume



# Nitto

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