

---

INVESTORS'  
GUIDE

---

**NICHIRIN**

**2011**

**NICHIRIN CO., LTD.**

---

---

## Contents

---

---

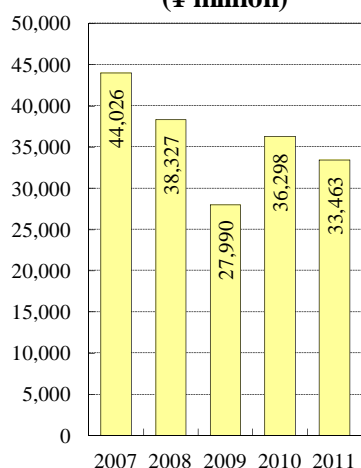
<b>Financial Highlights</b>	1
<b>Financial Statements</b>	
<b>Consolidated</b>	
Balance Sheets	2
Statements of Income	4
Statements of Cash Flows	5
<b>Non-consolidated</b>	
Balance sheets	6
Statements of Income	8
<b>Corporate Data</b>	9

## Financial Highlights

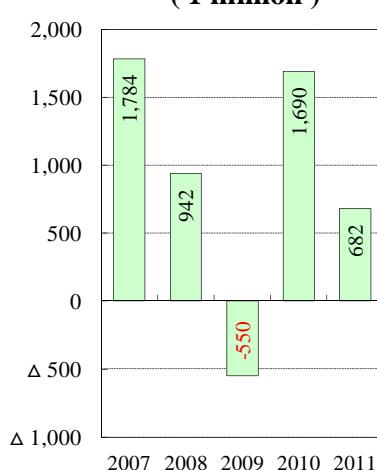
[in ¥million]

As of December 31	2007	2008	2009	2010	2011
<b>Consolidated</b>					
Net sales	44,026	38,327	27,990	36,298	33,463
Ordinary profit (loss)	1,784	942	(550)	1,690	682
Net income (loss) for the period	1,031	357	(1,216)	880	64
Shareholder's equity	12,966	10,799	10,106	10,326	10,158
Total assets	32,450	29,173	28,307	30,430	29,764
Shareholder's equity per share [Yen]	1,382.91	1,131.78	1,040.64	1,069.51	1,021.71
Net income per share [Yen]	114.73	39.74	(135.34)	97.98	7.20
Net cash used in operating activities	1,591	1,282	391	1,499	(157)
Net cash used in investment activities	(621)	(1,297)	(1,342)	(1,151)	(660)
Net cash provided by financing activities	(866)	682	1,185	564	(348)
Cash and cash equivalents at end of period	3,410	3,520	3,760	4,481	3,212

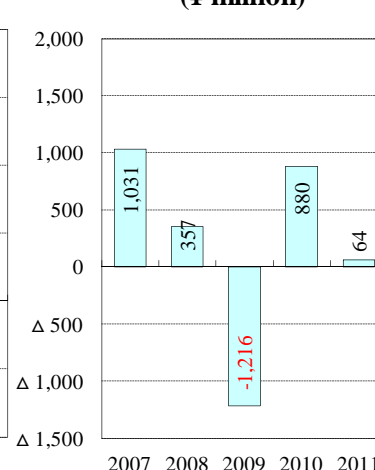
**Net sales**  
(¥ million)



**Ordinary profit**  
(¥ million)



**Net income**  
(¥ million)



[in ¥million]

As of December 31	2007	2008	2009	2010	2011
<b>Non-consolidated</b>					
Net sales	31,400	29,673	20,087	27,772	26,102
Ordinary profit	1,007	(117)	(663)	809	442
Net income (loss) for the period	648	(411)	(924)	643	130
Capital stock	1,729	1,729	1,729	1,729	1,729
Share outstanding [thousands of shares]	9,000	9,000	9,000	9,000	9,000
Shareholder's equity	9,827	8,644	8,075	8,644	8,615
Total assets	27,002	25,086	24,285	25,999	25,587
Shareholder's equity per share [Yen]	1,092.97	961.36	898.13	961.68	958.49
Dividends per share [Yen]	15.00	12.00	6.00	9.00	12.00
Net income per share [Yen]	72.13	(45.75)	(102.79)	71.57	14.56
Dividends payout ratio [%]	20.8	-	-	12.6	82.4

## Financial Statements

### Consolidated Balance Sheets

[ in ¥thousand ]

As of December 31	2010 Amount	2011 Amount	Thousands of U.S.\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,644,369	3,212,841	41,333
Notes and accounts receivable—trade	6,972,215	6,984,733	89,859
Merchandise and finished goods	1,282,782	1,597,502	20,552
Work in process	1,642,705	2,118,288	27,252
Raw materials and supplies	657,581	1,041,713	13,402
Deferred tax assets	189,708	150,922	1,942
Others	1,063,701	1,176,048	15,130
Allowance for doubtful accounts	(47,149)	(47,118)	(606)
<b>Total current assets</b>	16,405,912	16,234,931	208,863
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Building and structure	2,564,740	2,291,107	29,475
Machinery and equipment, vehicles	2,300,937	2,883,039	37,090
Land	3,523,732	3,587,862	46,158
Construction in progress	567,499	295,887	3,807
Others	192,169	168,842	2,172
<b>Total tangible fixed assets</b>	9,149,079	9,226,739	118,702
<b>Intangible fixed assets</b>			
Consolidated adjustment account	28,080	3,123	40
Others	191,007	177,567	2,284
<b>Total intangible fixed assets</b>	219,088	180,690	2,325
<b>Investment and other assets</b>			
Investments in securities	3,144,807	2,639,569	33,958
Deferred tax assets	920,345	827,891	10,651
Others	610,648	662,442	8,522
Allowance for doubtful accounts	(19,472)	(7,450)	(96)
<b>Total investment and other assets</b>	4,656,328	4,122,452	53,036
<b>Total fixed assets</b>	14,024,495	13,529,882	174,063
<b>Total assets</b>	30,430,408	29,764,813	382,926

[ in ¥thousand ]

As of December 31	2010 Amount	2011 Amount	Thousands of U.S.\$
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes and accounts payable-trade	7,284,108	7,653,609	98,464
Short-term debt	324,522	583,190	7,503
Current portion of long term debt	1,550,303	1,550,189	19,943
Income taxes payable	123,956	89,129	1,147
Deferred tax liabilities	3,841	10,476	135
Reserve for bonuses	75,718	73,887	951
Others	1,456,023	1,295,885	16,672
<b>Total current liabilities</b>	10,818,474	11,256,368	144,814
<b>Long-term liabilities</b>			
Long-term debt	3,906,771	3,293,598	42,372
Revaluation deferred income taxes	1,094,202	959,448	12,343
Deferred tax liabilities	26,313	28,400	365
Provision for retirement benefits	3,564,241	3,414,410	43,927
Reserve for director's retirement benefits	166,740	162,050	2,085
Consolidated adjustment account	7,374	3,613	46
Others	520,235	488,693	6,287
<b>Total long-term liabilities</b>	9,285,879	8,350,214	107,426
<b>Total liabilities</b>	20,104,353	19,606,582	252,240
<b>Net assets</b>			
<b>Owners' equity</b>			
Paid-in capital	1,729,000	1,729,000	22,244
Capital surplus	1,655,608	1,655,608	21,299
Earned surplus	5,824,269	5,765,112	74,168
Treasury stock	(6,062)	(6,509)	(84)
<b>Deposit for subscriptions to treasury stock</b>	9,202,815	9,143,211	117,628
<b>Valuation and translation adjustments</b>			
Valuation difference on available-for-sale securities	694,108	534,191	6,872
Revaluation difference on land	1,600,878	1,735,632	22,329
Translation adjustments	(1,883,894)	(2,229,768)	(28,686)
<b>Total valuation and translation adjustments</b>	411,092	40,054	515
<b>Minority interest</b>	712,145	974,965	12,543
<b>Total net assets</b>	10,326,054	10,158,230	130,686

Note: Translation into U.S.dollar has been made, solely for the reader's convenience, at the rate of ¥77.73=U.S.\$1.

## Consolidated Statements of Income

[ in ¥thousand ]

Years ended December 31	2010	2011	Thousands of U.S.\$
	Amount	Amount	
<b>Net sales</b>	36,298,651	33,463,104	430,504
<b>Cost of sales</b>	30,430,639	28,565,172	367,492
Gross profit on sales	5,868,012	4,897,931	63,012
<b>Selling, general and administrative expenses</b>	4,181,335	4,143,774	53,310
Operating income	1,686,676	754,157	9,702
<b>Non-operating income</b>			
Interest income	14,914	13,320	171
Dividend income	31,344	39,854	513
Depreciation of consolidated adjustment account	4,473	3,760	48
Equity in earnings of unconsolidated companies	182,004	14,151	182
Subsidy income	—	52,365	674
Gain on sales of fixed assets	3,405	130,372	1,677
Return of allowance for doubtful accounts	—	9,038	116
Gain on sales of investment in securities	—	7,660	99
Gain on negative goodwill	3,630	—	—
Others	130,758	74,045	953
<b>Total non-operating income</b>	370,530	344,570	4,433
<b>Non-operating expenses</b>			
Interest expenses	108,199	109,566	1,410
Foreign exchange loss	213,641	84,507	1,087
Loss on sales and disposal of fixed assets	20,073	24,686	318
Loss on valuation of investment securities	49,887	—	—
Loss on sales of investment securities	—	0	0
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	5,130	66
Restructuring loss	76,803	—	—
Loss on change in equity	—	8,032	103
Others	38,005	75,311	969
<b>Total non-operating expenses</b>	506,610	307,235	3,953
Income before taxes and other adjustments	1,550,596	791,492	10,183
Corporate, inhabitant and enterprise taxes	370,676	259,303	3,336
Adjustment for income and other taxes	132,072	305,108	3,925
<b>Subtotal</b>	502,748	564,411	7,261
Income before minority interests	—	227,080	2,921
Minority interest income in consolidated subsidiaries	166,964	162,282	2,088
Net income for the period	880,883	64,798	834

Note: Translation into U.S.dollar has been made, solely for the reader's convenience, at the rate of ¥77.73=U.S.\$1.

## Consolidated Statements of Cash Flows

[ in ¥thousand ]

Years ended December 31	2010	2011	Thousands of U.S.\$
	Amount	Amount	
<b>Net cash used in operating activities</b>			
Net income before taxes and other adjustment	1,550,596	791,492	10,183
Depreciation and amortization	999,522	927,540	11,933
Increase (decrease) in reserve for bonuses	16,542	(1,830)	(24)
Increase (decrease) in allowance for retirement benefit scheme	(966,408)	(149,577)	(1,924)
Increase (decrease) in reserve for director's retirement benefits	8,140	(4,690)	(60)
Increase (decrease) interest and dividend income	(46,258)	(53,175)	(684)
Interest expenses	108,199	109,566	1,410
Loss (gain) on sales and retirement of noncurrent assets	16,668	(105,685)	(1,360)
Loss on sales of investment in securities	—	(7,660)	(99)
Loss (gain) on change in equity	—	8,032	103
Depreciation of consolidated adjustment account	20,484	21,197	273
Gain on negative goodwill	(3,630)	—	—
Gain (loss) on equity in earnings of unconsolidated companies	(182,004)	(14,151)	(182)
Decrease (increase) in trade receivables	(1,375,273)	(79,862)	(1,027)
Decrease (increase) in inventory	(615,892)	(1,319,490)	(16,975)
Increase (decrease) in account payable-trade	1,445,342	410,653	5,283
Increase in accounts payable of changeover to defined contribution pension plan	608,633	(139,640)	(1,796)
Others	158,409	(275,766)	(3,548)
<b>Subtotal</b>	1,742,980	116,951	1,505
Interest and dividend income	173,963	169,323	2,178
Interest expenses	(109,911)	(108,642)	(1,398)
Amount of return, such as a corporation tax	9,182	15,728	202
Income tax and others	(317,014)	(351,154)	(4,518)
<b>Total net cash used in operating activities</b>	1,499,200	(157,792)	(2,030)
<b>Net cash used in investment activities</b>			
Decrease (increase) in time deposits	(178,339)	159,212	2,048
Acquisition cost of tangible fixed assets	(966,597)	(1,121,921)	(14,434)
Gain on sales of tangible fixed assets	543	371,291	4,777
Acquisition cost of purchase of investment securities	(19,904)	(21,887)	(282)
Gain on sales of marketable securities	133	17,155	221
Payments for loans and advances	(6,485)	(6,500)	(84)
Proceeds from collection of loans and advances	18,099	3,445	44
Acquisition cost of purchase of subsidiary's share	(2,520)	—	—
Payments for investments in capital of subsidiaries and affiliates	—	(20,590)	(265)
Others	3,457	(41,002)	(527)
<b>Total net cash used in investment activities</b>	(1,151,614)	(660,798)	(8,501)
<b>Net cash provided by financing activities</b>			
Increase (decrease) in short-term loan	(160,534)	267,617	3,443
Payments of long-term loan	(1,528,015)	(1,640,798)	(21,109)
Dividends payment	(164,825)	(259,583)	(3,340)
Proceeds from stock issuance to minority shareholders	—	234,284	3,014
Others	(640)	(447)	(6)
<b>Total net cash provided by financing activities</b>	564,170	(348,928)	(4,489)
Effect of exchange rate changes on cash and cash equivalents	(190,976)	(101,487)	(1,306)
Increase (decrease) in cash and cash equivalents	720,780	(1,269,006)	(16,326)
Cash and cash equivalents at beginning of period	3,760,773	4,481,554	57,655
Cash and cash equivalents at end of period	4,481,554	3,212,547	41,330

Note: Translation into U.S.dollar has been made, solely for the reader's convenience, at the rate of ¥77.73=U.S.\$1.

## Non-consolidated Balance Sheets

[ in ¥thousand ]

As of December 31	2010	2011	Thousands of U.S.\$
	Amount	Amount	
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	1,633,154	1,087,712	13,993
Notes receivable—trade	226,159	414,412	5,331
Accounts receivable—trade	5,909,112	5,859,490	75,383
Merchandise and finished goods	561,290	579,319	7,453
Work in process	306,557	356,357	4,585
Raw materials and supplies	286,871	340,958	4,386
Prepaid expenses	67,474	62,929	810
Accrued income	1,507,066	1,515,573	19,498
Deferred income taxes	93,762	80,464	1,035
Others	24,785	137,069	1,763
Allowance for doubtful accounts	(9,236)	(6,300)	(81)
<b>Total current assets</b>	10,607,000	10,427,989	134,157
<b>Fixed Assets</b>			
<b>Tangible fixed assets</b>			
Buildings	1,238,666	1,216,886	15,655
Structures	99,916	88,482	1,138
Machinery and equipment	1,043,954	1,009,171	12,983
Vehicles and delivery equipment	7,299	9,378	121
Tools, furniture and fixture	114,346	79,380	1,021
Land	3,281,297	3,281,297	42,214
Construction in progress	114,420	91,453	1,177
<b>Total tangible fixed assets</b>	5,899,901	5,776,050	74,309
<b>Intangible fixed assets</b>			
Software	77,889	76,298	982
Telephone subscription rights	4,481	4,481	58
<b>Total intangible fixed assets</b>	82,370	80,780	1,039
<b>Investment and other assets</b>			
Investments in securities	1,896,744	1,602,721	20,619
Stock in affiliated companies	3,976,940	4,204,072	54,086
Investment in capital	1,789	1,789	23
Investment in affiliated companies	2,039,704	2,039,704	26,241
Long-term loans to employees	5,685	7,735	100
Long-term loans to affiliated companies	122,160	116,595	1,500
Guarantee deposit	69,254	69,371	892
Deferred income taxes	1,059,200	1,022,167	13,150
Others	247,577	234,091	3,012
Reserve for investment valuation	(21,000)	(7,000)	(90)
Allowance for doubtful accounts	(8,896)	(4,000)	(51)
<b>Total investment and other assets</b>	9,409,937	9,303,103	119,685
<b>Total fixed assets</b>	15,392,208	15,159,934	195,033
<b>Total assets</b>	25,999,209	25,587,924	329,190



[ in ¥thousand ]

As of December 31	2010 Amount	2011 Amount	Thousands of U.S.\$
<b>Liabilities</b>			
<b>Current liabilities</b>			
Notes payable—trade	4,284,739	4,367,722	56,191
Accounts payable—trade	2,373,434	2,387,508	30,715
Short-term debt	—	350,000	4,503
Current portion of long term debt	1,352,900	1,344,600	17,298
Accounts payable—other	620,441	617,136	7,939
Income taxes payable	21,530	13,753	177
Enterprise taxes payable	33,019	32,785	422
Accrued expenses	67,753	64,241	826
Advances received	5,790	—	—
Deposit received	68,948	94,143	1,211
Reserve for bonuses	61,800	60,600	780
Notes payable—equipment	116,556	83,282	1,071
Accounts payable—equipment	28,309	70,238	904
<b>Total current liabilities</b>	<b>9,035,223</b>	<b>9,486,012</b>	<b>122,038</b>
<b>Long-term liabilities</b>			
Long-term debt	3,299,100	2,867,300	36,888
Revaluation deferred income taxes	1,094,202	959,448	12,343
Long-term accounts payable—other	485,920	363,500	4,676
Provision for retirement benefits	3,291,869	3,157,049	40,616
Reserve for director's retirement benefits	148,300	139,570	1,796
Others	—	—	—
<b>Total long-term liabilities</b>	<b>8,319,392</b>	<b>7,486,868</b>	<b>96,319</b>
<b>Total liabilities</b>	<b>17,354,615</b>	<b>16,972,881</b>	<b>218,357</b>
<b>Net assets</b>			
<b>Owners' equity</b>			
Paid-in capital	1,729,000	1,729,000	22,244
Capital surplus			
Capital legal reserve	1,655,608	1,655,608	21,299
<b>Total capital surplus</b>	<b>1,655,608</b>	<b>1,655,608</b>	<b>21,299</b>
Earned surplus			
Earned legal reserve	89,928	89,928	1,157
Other earned surplus			
Reserve for product warranty	200,000	200,000	2,573
Other reserves	1,977,000	2,527,000	32,510
Retained earnings, carry for ward	704,131	150,192	1,932
<b>Total earned surplus</b>	<b>2,971,060</b>	<b>2,967,120</b>	<b>38,172</b>
Treasury stock	(6,062)	(6,509)	(84)
<b>Total owners' equity</b>	<b>6,349,606</b>	<b>6,345,219</b>	<b>81,632</b>
<b>Valuation and translation adjustments</b>			
Valuation difference on available-for-sale securities	694,108	534,191	6,872
Revaluation difference on land	1,600,878	1,735,632	22,329
<b>Total valuation and translation adjustments</b>	<b>2,294,987</b>	<b>2,269,823</b>	<b>29,201</b>
<b>Total net assets</b>	<b>8,644,593</b>	<b>8,615,042</b>	<b>110,833</b>
<b>Total liabilities and net assets</b>	<b>25,999,209</b>	<b>25,587,924</b>	<b>329,190</b>

Note: Translation into U.S.dollar has been made, solely for the reader's convenience, at the rate of ¥77.73=U.S.\$1.

## Non-consolidated Statements of Income

[ in ¥thousand ]

Years ended December 31	2010	2011	Thousands of U.S.\$
	Amount	Amount	
Net sales	27,772,754	26,102,015	335,804
Cost of sales	24,399,591	23,314,958	299,948
Gross profit on sales	3,373,162	2,787,057	35,856
Selling, general and administrative expenses	2,836,509	2,800,504	36,029
Operating income (loss)	536,652	(13,447)	(173)
<b>Non-operating income</b>			
Interest income	3,679	3,327	43
Dividend income	469,379	548,485	7,056
Rental income	24,195	17,268	222
Subsidy income	—	13,960	180
Others	94,115	27,626	355
<b>Total non-operating income</b>	591,369	610,669	7,856
<b>Non-operating expenses</b>			
Interest expenses	91,138	79,418	1,022
Foreign exchange loss	200,838	54,036	695
Others	26,860	20,898	269
<b>Total non-operating expenses</b>	318,837	154,354	1,986
Ordinary profit	809,184	442,867	5,698
<b>Extraordinary income</b>			
Gain on sales of fixed assets	—	5,531	71
Gain on sales of investment in securities	—	28	0
Return of reserve for investment valuation	70,000	14,000	180
Return of allowance for doubtful accounts	—	4,323	56
<b>Total extraordinary income</b>	70,000	23,884	307
<b>Extraordinary losses</b>			
Loss on sales of fixed assets	—	2,218	29
Loss on disposal of fixed assets	10,756	18,166	234
Write-down of investments in securities	49,887	—	—
Loss on sales of investment in securities	—	0	0
<b>Total extraordinary losses</b>	60,643	20,385	262
Net income before taxes	818,540	446,366	5,743
Corporate, inhabitant and enterprise taxes	75,664	86,019	1,107
Adjustment for income and other taxes	99,381	229,457	2,952
<b>Total income taxes</b>	175,045	315,476	4,059
Net income for the period	643,494	130,890	1,684

Note: Translation into U.S.dollar has been made, solely for the reader's convenience, at the rate of ¥77.73=U.S.\$1.

## Corporate Data

### NICHIRIN CO., LTD.

**Headquarters:** 98-1 Edo-machi, Chuo-ku, Kobe, Hyogo 650-0033 JAPAN  
Phone: 078-392-1471

**Himeji Factory:** 1118 Sazuchi, Bessho-cho, Himeji, Hyogo 671-0224 JAPAN  
Phone: 079-252-4151

**Tokyo Branch:** 1-3-11 Shibaura, Minato-ku, Tokyo 105-0023 JAPAN  
Phone: 03-5476-8050

**Capital Stock:** ¥1,729,000,000

**Common Stock:** Authorized 32,000,000 shares  
Issued 9,000,000 shares

**Incorporated:** March 8, 1924

**Listing:** August 7, 1997  
Osaka Securities Exchange, Second section [Code:5184]

**Operation:** Sales and manufacturing of rubber and plastic hose for automobile

**URL:** <http://www.nichirin.co.jp/>

### Principal Shareholders

1. <b>Taiyo Koko Co.,Ltd.</b>	2,236,211	24.85%
2. <b>Sojitz Corporation</b>	800,000	8.89%
3. <b>Century Tokyo Leasing Corporation</b>	332,600	3.70%
4. <b>Mizuho Bank, Ltd.</b>	261,000	2.90%
5. <b>Employees stock ownership plan.</b>	215,147	2.55%
6. <b>Nippon Fine Chemical Co., Ltd.</b>	200,000	2.22%
7. <b>Tohokinzoku Co., Ltd.</b>	166,000	1.84%
8. <b>Mizuho Investors Securities CO., Ltd.</b>	136,800	1.52%
9. <b>Fuji Corporation</b>	102,000	1.13%
10. <b>Motoko Ootani</b>	100,750	1.12%

### Overseas Company

#### **NICHIRIN INC.** [<http://www.nichirincanada.com/>]

139 Copernicus Blvd., Brantford Ontario N3P 1N4 CANADA

#### **NICHIRIN TENNESSEE INC.**

1620 Old Belfast Road, Lewisburg, Tennessee 37091 U.S.A.

#### **NICHIRIN-FLEX U.S.A., INC.**

9600 Plaza Circle, El Paso, Texas, 79927 U.S.A.

#### **NICHIRIN COUPLER TEC MEXICO, S.A. de C.V.**

9835 Carretera Panamerica, Ciudad Juarez, CHI 32690 MEXICO

#### **NICHIRIN U.K. LTD**

Unit B, Hibernia Way, Stretford Motorway Estate Manchester, M32 0ZD UK

#### **SHANGHAI NICHIRIN AUTOMOBILE ACCESSORIES CO., LTD.**

351 Wuxing Road, Beical, Pudong, Shanghai, 201204 CHINA

#### **NICHIRIN RUBBER INDUSTRIAL(SHANGHAI) CO., LTD.**

Building No.2, No.333, Qianqiao Rd. Qingcun Town. Fengxian District, Shanghai, CHINA

#### **NICHIRIN VIETNAM CO., LTD.**

Lot No.B4, Quang Chau Industrial Park, Viet Yen District, Bac Giang Province VIETNAM

#### **PT.NICHIRIN INDONESIA**

Kawasan Industri Mitra Karawang Jl Mitra Timur 1 Blok C6 Parungmulya, Ciampel Karawang,

41361, Jawa Barat INDONESIA

#### **NICHIRIN AUTOPARTS INDIA PVT., LTD.**

116A, First Floor, Vipul Agora, MG Road, Gurgaon, -122001, Haryana, INDIA

#### **NICHIRIN (THAILAND) CO., LTD.**

55/33 Mhutee 13, Navanakorn, Paholyotin Road Klong Nueng, Klong Luang Patumtanee 12120 THAILAND

#### **SUNCHIRIN INDUSTRIES (MALAYSIA) BERHAD**

Lot 7, Jalan Api-Api 26/1, Hicom Industrial Estate, Section 26, 40400 Shah Alam Selangor Darul Ehasan MALAYSIA

#### **SUNCHIRIN INDUSTRY (THAILAND) LTD.**

700/347 Moo 6, Amata Nakorn Industrial Estate Bangna-Trad Rd., KM 57, Tambol Donhualor, Amphur Muang Chonburi 20000, THAILAND

**NICHIRIN**