

Message from the President



I am pleased to report that, at the Annual General Shareholders' Meeting and subsequent Board of Directors meeting, held on June 28, 2007, I was appointed and assumed the position of president and representative director of Japan Vilene Company, Ltd.

For the past two years, under the guidance of Mr. Yutaka Tanaka, chairman and representative director (former president), and together with other personnel, I have endeavored to build new businesses and increase earnings in my role as a managing director. I will make the most of this valuable experience as I confront the various challenges that lie ahead.

We can expect the operating environment to undergo even more changes in the future. We should not forget our basic principle of "customer-focused operations" as we seek to enhance services and further reinforce our business foundation.

I look forward to the ongoing support of shareholders and investors.

The Year in Review

The fiscal year ended March 2007 marked a turning point for the Japan Vilene Group. In April 2006, we embarked on a new medium-term management plan, called "Value." Under the new plan, we shifted from our previous "defensive" stance, which emphasized reinforcement of the Company's internal foundation, to an "aggressive" stance that calls for active investment in strategic businesses.

In the period under review, consolidated net sales amounted to ¥56,314 million, up 8.6% from the previous fiscal year. Operating income climbed 21.0%, to ¥3,765 million, and net income grew 16.5%, to ¥2,906 million. These results represent an increase in revenue and earnings for the fourth consecutive year and achievement of the targets for the first year of the plan. We view this as a promising start to the plan.

Management Philosophy

In the year under review, we celebrated the 46th anniversary of the founding of Japan Vilene. The operating environment has undergone tremendous change over this period, and today companies have far bigger roles and responsibilities within society. Confronted with these changes, individual employees must be clearly aware of the basic values and philosophy of the Company. On June 1, 2006, we revised our management philosophy for the first time in 36 years to incorporate guidelines for setting and achieving targets related to values and our corporate philosophy.

Our new management philosophy is as follows: "We will endeavor to enhance the corporate value of the Company and make a broad contribution to society by manufacturing products that enable people to live fuller and more comfortable lives, with all employees striving to meet the confidence of customers through sound and fair corporate activities."

Under this philosophy, we will work to make our earnings foundation even more stable. We will achieve this through structural reorganization spearheaded by global business development initiatives. We will also enhance our nonwovens functionally in order to achieve increased applications for these products.

Corporate Governance

We at Japan Vilene regard corporate governance as an extremely important part of our efforts to achieve sustained growth and development and maximize profits for shareholders amid ongoing social and economic change.

Based on this understanding, in an effort to bolster corporate governance we will expedite important decision-making, clarify the execution of duties and responsibilities, enhance our compliance and internal control systems, and promote the timely disclosure of information.

Prevention of Illegal Acts

Japan Vilene's commitment to corporate social responsibility (CSR) is reflected in its establishment of a CSR Committee and the formulation of the CSR Charter in April 2006. The Committee and the Charter serve as means of enhancing compliance with laws and regulations, fairness and ethical behavior.

For some time, our Auditing Department, established as part of our internal audit system, has been conducting regular audits of the parent company and other members of the Japan Vilene Group. In March 2007, we formulated a code of conduct and behavioral standards as a basic ethos to be observed by all employees of the Group. Our efforts to familiarize our staff with these principles clearly demonstrate our stance, which calls for total compliance with relevant laws and regulations, as well as protection of the environment and social contribution.

Reinforcing the Functions of The Board of Directors and Board of Corporate Auditors

We have clarified decision-making and reinforced the supervisory function within the Company by appointing part-time directors from the three largest corporate shareholders in the Company.

Their main duties are to expedite decision-making by taking part in discussions at meetings attended by full-time directors and auditors, and to monitor the management of business at Board of Directors meetings.

Through their attendance at important meetings of Japan Vilene and other Group companies, our full-time corporate auditors endeavor to monitor the management of business, including the decision-making process. At present, these tasks are handled by three full-time auditors.

In April 2006, we established a Personnel Committee to enhance the transparency of matters related to the appointment and remuneration of directors, and to further bolster management mechanisms.

Distribution of Profits

Our basic policy with respect to appropriation of earnings is to distribute profits by taking into account the Company's business performance and outlook for the operating environment. Based on this policy, we declared a year-end cash dividend of ¥6.00 per share. After adding the ¥6.00 interim dividend already paid, this brings total annual dividends to ¥12.00 per share, up ¥2.00 from the previous year.

Outlook

Despite solid growth in personal consumption and capital investments, supported by high corporate earnings, we expect Japan Vilene's business environment to be characterized by various continuing challenges. These include increasing raw material prices and falling sales prices.

Under its medium-term management plan, the Japan Vilene Group is seeking to generate sustained growth and higher earnings by advancing its operations based on an international perspective. We will allocate our extensive management resources, acquired in our high-quality and highly functional nonwovens business, to achieve these objectives. We also recognize the importance of ongoing reinforcement of our corporate governance and compliance systems to raise management efficiency and transparency.

For the fiscal year ending March 2008, we forecast net sales of ¥59.0 billion, operating income of ¥3.8 billion, and net income of ¥3.0 billion on a consolidated basis.

I look forward to your continued understanding and cooperation.

June 28, 2007



Mitsuo Kanno
President