

Annual Report 2009

For the year ended March 31, 2009



Profile

Since its establishment in 1960, Japan Vilene Company, Ltd., has been a leader in Japan's nonwoven fabrics industry. Our growth has been driven by global perspectives and a close relationship with Germany's Freudenberg Group, renowned worldwide for its advanced technological expertise in nonwoven fabrics. Today, our products are found in a myriad of everyday situations, from life-related uses to high-tech industrial applications.

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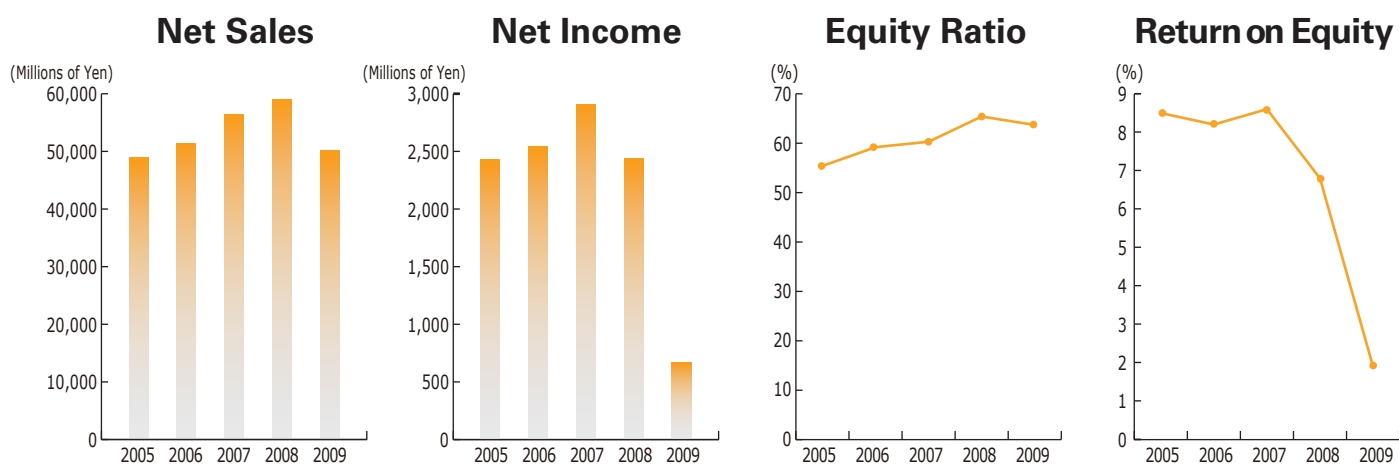
In this annual report, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties, and other factors that may cause actual results and achievements to differ from those forecast in these statements.

Consolidated Five-Year Summary

Japan Vilene Company, Ltd., and Subsidiaries

(Years Ended March 31)

	Millions of Yen				Thousands of U.S. Dollars	
	2005	2006	2007	2008	2009	2009
For the year:						
Net sales	¥48,858	¥51,367	¥56,314	¥59,021	¥50,240	\$512,653
Operating income	2,780	3,105	3,765	3,869	1,324	13,510
Net income	2,432	2,541	2,906	2,434	672	6,857
Net cash provided by operating activities	4,069	3,414	4,470	4,765	4,083	41,663
At year end:						
Net property, plant and equipment	¥17,991	¥18,473	¥19,578	¥19,783	¥18,483	\$188,602
Total assets	53,282	55,338	58,360	55,789	52,620	536,939
Total equity	29,508	32,738	35,514	36,790	33,824	345,143
	Yen				U.S. Dollars	
Per share amounts:						
Net income	¥36.93	¥38.41	¥44.76	¥37.50	¥10.36	\$0.11
Cash dividends	7.00	10.00	12.00	12.00	12.00	0.12
Shareholders' equity	453.86	503.48	542.26	561.81	516.33	5.27
Ratios:						
Operating income to net sales (%)	5.7%	6.0%	6.7%	6.6%	2.6%	
Net income to net sales (%)	5.0	4.9	5.2	4.1	1.3	
Equity ratio (%)	55.4	59.2	60.3	65.4	63.7	
Return on equity (%)	8.5	8.2	8.6	6.8	1.9	



Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥98 = US \$1, the approximate rate of exchange prevailing on March 31, 2009, as described in Note 1 of Notes to Consolidated Financial Statements.

Message from the President

The Company reported very unintended results for the fiscal year ended March 31, 2009, a reflection of the rapid deterioration in the market environment from the second half. We take this outcome very sincerely and we are united in taking fundamental action, using our response to these challenges as a catalyst for developing a stronger earnings structure.



In the fiscal year ended March 31, 2009, the economic environment for the Japan Vilene Group was characterized by a general slowdown during the first half, reflecting the continuing fallout from the sub-prime loan problems in the United States that surfaced in 2007 and a deterioration in corporate earnings caused by rising oil and raw material prices. In the second half, however, the turmoil in the financial markets spilled over into the real economy worldwide, and major economies—not just the United States and Europe but also major emerging market economies such as China—began slowing rapidly. As a consequence, the global economy plunged into an unprecedented recession. The Japanese economy also slowed, as firms in every industry rapidly reduced production, scaled back investment and cut jobs, rendering the circumstances around the Group much more challenging. Although the Group introduced sweeping structural reforms, under these market conditions, consolidated net sales decreased 14.9%, to ¥50,240 million, operating income fell 65.8%, to ¥1,324 million, and consolidated net income declined 72.4%, to ¥672 million.

Pending Issues and Management Strategies

The downturn is serious and the future business trend is also extremely unclear. To overcome the difficulties posed by this operating environment, the Japan Vilene Group set up the Management Reform Committee, which speedily and continuously introduces initiatives to boost business and cost efficiency, reduce inventory, further improve production efficiency and bolster the Group's financial position. The Group views this crisis as an opportunity to reform its business structure, and aims to build stronger corporate structure and to improve profitability.

We are implementing the strategies outlined below to tackle the above issues.

Restructuring Operations

Japan Vilene has classified its operations into four groups: strategic, stable income-earning, newly developing, and structural transformation. The Company views automotive materials business as a strategic expansion business, given the potential for expansion into overseas markets such as North America and China, and will take steps to grow its share of the global market, rationalize production, and improve earnings. We also position battery separators as a strategic growing business, because it is characterized by rapid technical innovation and strong growth in demand. We plan to turn this into a core business. Some of the medical, filter, and industrial materials, which hold impressive market shares and

high profit margins, are ranked as stable income-earning business. For these businesses, we will maintain our high market shares, seek to improve efficiency, and endeavor to increase profitability. As for newly developing businesses, the Company will aim to develop new nonwoven products and create new businesses, such as applied technologies for nanofibers and technologies for nonwoven fabrics with functional particles. Regarding structural transformation businesses, the Company will restructure business according to a plan in keeping with its direction for each business.

Expanding Applications by Raising Performance

The Company aims to differentiate itself from its competitors by conducting studies into the properties of the material of nonwoven fabrics, developing products that respond to user needs, and boosting the performance of nonwoven materials. We will seek to aggressively advance into new high growth fields.

Rationalizing Production

The Company will optimize its production system for the global market. In Japan, we will shift our production to high value-added products and investigate the right-sizing of our manufacturing in pursuit of a rational, highly efficient production and supply system. Also, with the recent rise in raw materials prices and their subsequent fall, raw material procurement costs have become increasingly unpredictable, and moving forward, in light of market price trends and the sales trend of our products, we will aim to optimize raw material procurement, rationalize production and optimize production costs.

Deploying Management Resources Efficiently and Increasing Corporate Value

Through effective promotion of new business and new product development, demand-led investment and personnel recruitment, we will boost corporate value by expanding operating income and raising capital efficiency.

Promoting thorough Compliance and Internal Control System Improvements

In addition to strict adherence to corporate ethics in accordance with the management philosophy and the CSR Charter, we will endeavor to upgrade the internal control systems provided for by the Corporate Law and the Financial Instrument and Exchange Law.

Distribution of Profits

Japan Vilene positions returns to shareholders as an important managerial issue, and maintains a policy of paying stable dividends, taking business performance into consideration. Accordingly, depending on operating income and cash flows, we have aimed for an approximate payout of 30% of consolidated net income, maintaining a stable annual dividend of ¥12 per share for the time being. For the period under review, we declared a year-end dividend of ¥6.00 per share. After adding the ¥6.00 interim dividend, this brings total annual dividends to ¥12.00 per share again. In the future, we will pay stable dividends, taking into consideration operating income and cash flows, and will aim to improve our performance, targeting a payout of more than 30% of consolidated net income for the fiscal year.

Outlook

The future of the economy is clouded in extreme uncertainty, with worries about the potential for a further decline in corporate earnings, as private consumption remains sluggish amid sluggish labor market conditions. The Group views this operating environment as an opportunity for reform and will seek to improve the Group's performance and enhance corporate value by executing the management strategies outlined above.

In the fiscal year ended March 31, 2010, we anticipate consolidated net sales of ¥46,000 million, operating income of ¥1,100 million, and net income of ¥600 million.

I look forward to your continued support.



Mitsuo Kanno
President
Japan Vilene Company, Ltd.

The Leading Edge of Research and Technology

Japan Vilene is committed to the development of products and technology that are designed to improve the environment and help people stay fit and healthy. This feature outlines initiatives undertaken by the Central Research Laboratory and departments involved in development.

Central Research Laboratory

The main role of the Central Research Laboratory is to develop next generation technology for Vilene from a medium- to long-term perspective. Development is based on the principles of "environmentally beneficial products" and "effectively harnessing fiber surfaces."

1. Environmentally beneficial products

The development of environmentally beneficial products can be divided into two categories, namely minimizing emissions of environmentally harmful substances and recovering environmentally harmful substances.

We primarily develop a range of battery materials, including separators for lithium ion secondary batteries and materials for fuel cells, in the former category, and filter materials such as liquid filtration materials in the latter. As a result of development activities last year, we exhibited new ion conductive membranes at the International Hydrogen & Fuel Cell Expo and made a successful start to joint development in partnership with our customers.

Having developed cartridge filters for micro liquid filtration using nanofiber nonwoven fabrics from a comprehensive standpoint, incorporating processing as well as the development of filter medium, we have established basic technology exclusive to Vilene and started to provide our customers with samples.

2. Effectively harnessing fiber surfaces

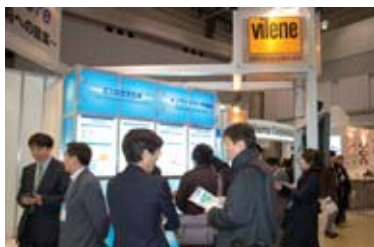
We divide the development of technology based on the principle of effectively harnessing fiber surfaces into two categories, namely increasing the area of fiber surfaces using finer fibers and adding functionality to fiber surfaces. In terms of finer fibers, we seek to

merge the new sol-gel method with electrospinning technology to enable continuous production of high purity silica nanofibers in addition to organic nanofibers.

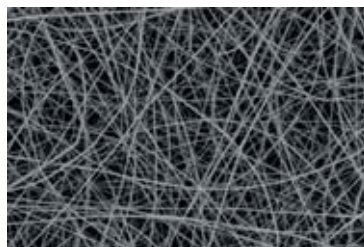
We are currently working in conjunction with Kyushu University and the Fukuoka Industrial Technology Center on the basic development of reactors for use in biodiesel fuel production as one of the areas of applications for silica nanofibers, which have already earned high acclaim and have been heralded as a promising technology for the future by The Chemical Daily and numerous other newspapers. In terms of adding functionality to fiber surfaces, meanwhile, we are investigating applications in relation to filters and electric materials, using technology to fix functional particles onto fiber surfaces, and have started to provide our customers with test samples.

3. Stepping up collaboration with external research institutions

We continued to actively engage in joint development with external research institutions. In particular, we successfully developed new inorganic nanofibers and a range of metallic oxide nanofibers as part of the Collaborative Innovation Center for Nanotech FIBER (NanoFIC) at Shinshu University, a program subsidized by the Ministry of Education, Culture, Sports, Science and Technology.



Fuel cell exhibit at the 2009 Hydrogen & Fuel Cell Expo



Silica nanofibers



Cartridge filters

Technical Research

The following section outlines research into three of the company's many technologies that are set to provide the basis for important products now and in the future.

1. Health support technology

As part of measures to protect against new strains of influenza, we have developed particulate respirators compliant with N95 standards set out by the National Institute for Occupational Safety and Health (NIOSH) and have received glowing feedback from customers regarding their outstanding performance. We are also working with Tottori University to develop air filters capable of deactivating the avian influenza virus, and have successfully identified a highly effective deactivating agent. We are pushing ahead with research on the basis that the same technology will also prove effective against avian flu amidst fears of an international epidemic.

Although we already have a large share of the market thanks to our stretch backing materials for hot and cold compresses, recently we have also been developing plaster backing materials compatible with knitted plasters, which have been picked up by a number of pharmaceutical manufacturers. Whereas a great deal of attention is being focused on pharmaceutical tape, in which medication is absorbed through the skin to avoid the risks associated with formulating full body, orally ingested drugs, we are currently working with pharmaceutical manufacturers to develop base materials, harnessing our unique technology to considerable acclaim.



V-1003N particulate respirator



Power supply battery



Ni-MH battery for HEV



VOC ozone filters

2. Technology to reduce CO₂ emissions

Having developed separators with ultrafine and other special fibers and helped to improve the performance and reliability of nickel-metal hydride (Ni-MH) batteries, we have secured an overwhelming share of the market for Ni-MH battery separators for use in hybrid electric vehicles (HEV), which have been thrust into the spotlight the world over as eco-friendly vehicles capable of effectively reducing CO₂ emissions.

Highly popular cars such as Toyota's New Prius and the Honda Insight all use Ni-MH batteries (The Nikkei Business Daily, April 2).

3. Technology to clean water and the air

A worldwide shortage of clean water has prompted the development of technologies capable of obtaining purified water from sources such as salt water and waste water. Nonwoven fabrics developed by Japan Vilene have been introduced as supports for microfiltration (MF) membranes, one of the components used in such processes. We also supply filters and systems designed to create clean spaces. We have developed filters that strike a balance between flame retardant and eliminating substances such as ozone odors produced by office equipment and volatile organic chemicals (VOC) and have received glowing feedback from customers.

Review of Operations by Business Segment

Apparel and Medical Materials

(Net sales: ¥10,517 million, a decline of 7.9% year on year)

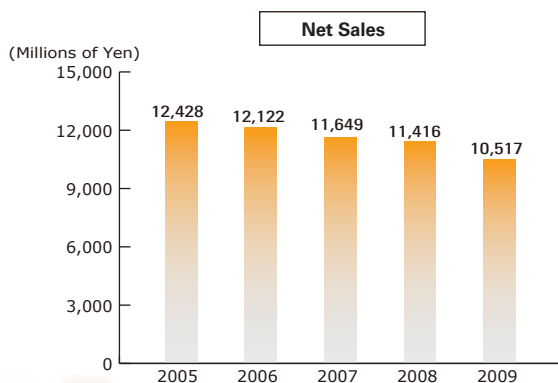
Bonded wadding sales rose from the previous year, driven by an increase in sales of new products. Sales of nonwoven and woven interlinings were down sharply from the previous year, reflecting the further acceleration of local procurements of secondary materials by large apparel manufacturers and the adverse effect of smaller production volumes due to sluggish store sales of garments.

Despite the contraction of the market, the fall in sales of cold compress base materials for cataplasm was small on a year-on-year basis, thanks mainly to the launch of new products. Sales of cold compress base materials for plaster significantly exceeded the year-ago level, with higher sales of new products and the expansion of the market both contributing. Although sales of industrial dust proof particulate respirators declined with weaker demand for mainly automotive applications, sales of N95 particulate respirators and particulate respirators for stockpiling at companies were higher, given stronger demand due to the new type of influenza. Sales of particulate respirators overall rose substantially from the previous year.



Main Products and Related Goods

Interlinings, bonded wadding, handcraft materials, clothing materials, cold compress base materials, and cosmetic and cooling sheet base materials, hospital particulate respirators, gowns and drapes, various types of particulate respirators, professional-use dust mops, and food product packing materials, etc.



Industrial and Electrical Materials

(Net sales: ¥8,700 million, a fall of 18.3% year on year)

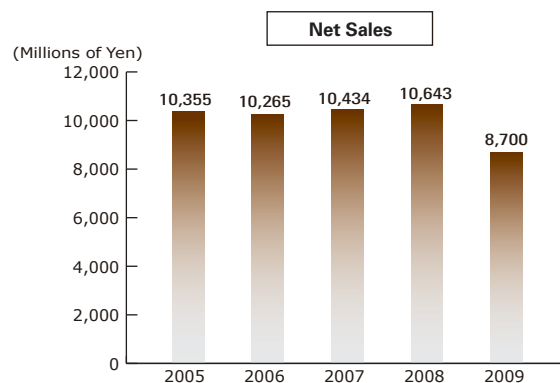
Sales of general-use secondary battery separators were substantially below the year-ago level due to a large fall in demand for electric tool applications, reflecting a fall in housing starts in North America. Sales of secondary battery separators for hybrid vehicles remained solid in the first half, thanks to favorable sales in North America. Although demand fell away significantly in the second half because of the effect of inventory adjustment, full-term sales increased from the previous year on the strength of higher sales of new types of vehicles.

Sales of photocopier cleaning rolls rose from the previous year, because of a rise in shipments of new models and firm demand for genuine parts. Sales of printed circuit board bases fell sharply from the previous year on sluggish demand for home electric appliance and automobile applications.

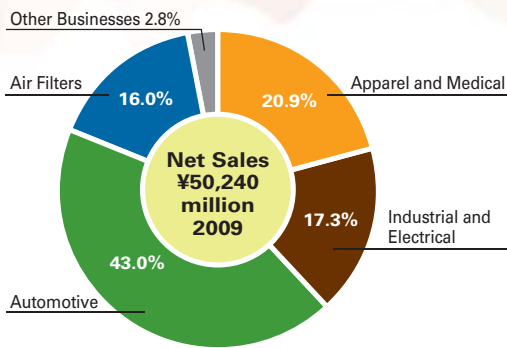


Main Products and Related Goods

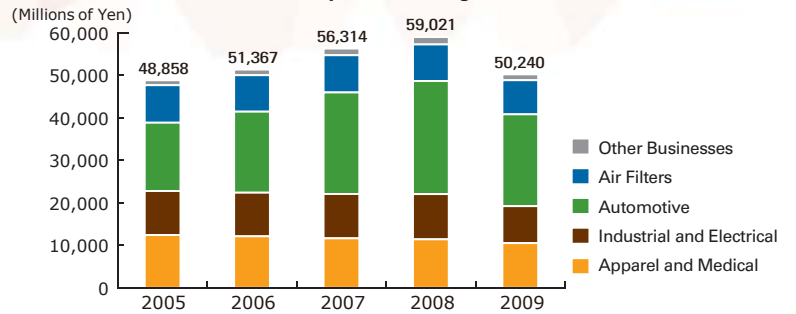
Secondary battery separators (for nickel-cadmium and nickel-metal hybrid batteries), battery electrode base materials and base materials for electric double layer capacitors, photocopier cleaning rolls, packing materials for audio equipment, and roll materials for steel production, heat-and flame-resistant materials, liquid filters, printed circuit board bases, etc.



Composition of Sales by Business Segment



Trends in Sales by Business Segment



(Note) From the fiscal year under review, the Apparel Materials segment and the Medical and Consumer Materials segment were integrated into the Apparel and Medical Materials segment.

Automotive Materials

(Net sales: ¥21,613 million, a decline of 18.8% year on year)

Sales of headliner materials remained firm in the first half, attributable to an increase in export car production, but were adversely influenced by production of domestic automakers in the second half. As a result, full-term sales of headliner materials were down substantially from the previous year.

Sales of floor mats declined markedly from the year-ago level in Japan as new car sales fell. Sales also dropped significantly from the previous year in North America, attributable to a fall in new car sales and the appreciation of the yen. However, sales of floor mats in China grew rapidly, fueled by new business. Overall sales of automobile floor mats were down significantly on a year-on-year basis.

Air Filters

(Net sales: ¥8,029 million, a drop of 6.7% year on year)

Sales of general-use air filters fell below the year-ago result, with users opting for longer replacement cycles to reduce costs and automakers slashing output. Sales of medium- and high-performance air filters for buildings and industrial applications fell year on year, given adverse factors such as the reduced construction of large office buildings, longer replacement cycles for filters, and fewer instances of new capital investment. Sales of built-in filters declined from the year-ago level in the tougher market conditions, despite an increase in orders derived from the response to renewals. Sales of clean room equipment decreased from the previous year affected by a sharp decline in instances of new capital investment. Sales of car cabin air filters increased, thanks to the contribution of more robust sales of new products in the first half.



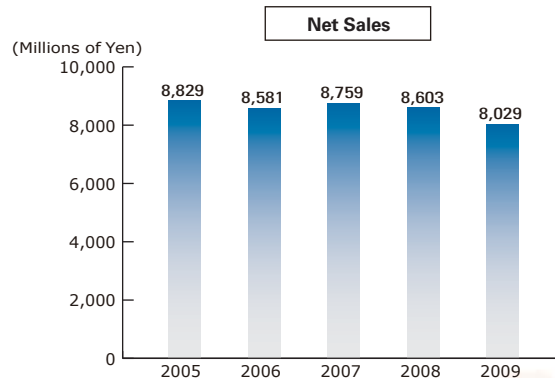
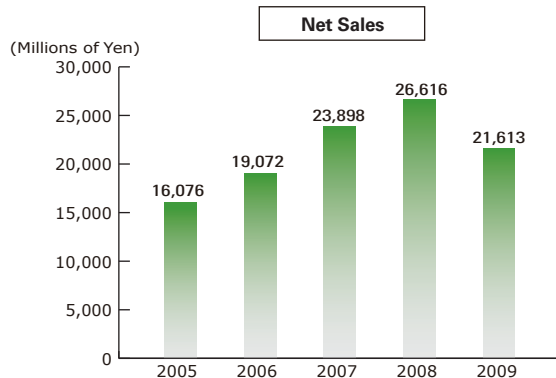
Main Products and Related Goods

Automotive components (headliner and interior materials, engine intake air filters) and automobile accessories (floor mats, wiping cloths, option parts), etc.



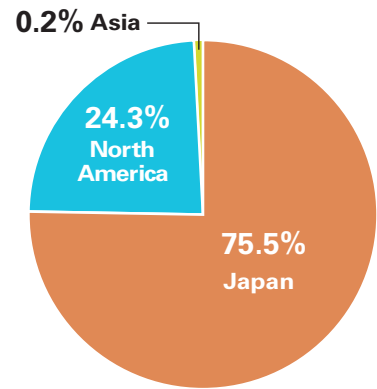
Main Products and Related Goods

Air filters, medium- and high-performance air filters, automatic roll filters, clean room equipment, equipment filters, car cabin air filters, and dust collectors, etc.



Performance by Region

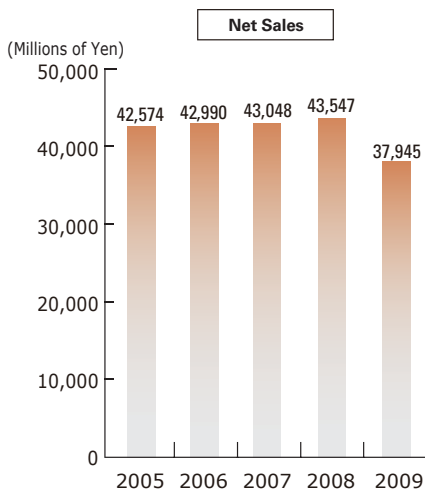
Since 1960, the Japan Vilene Group has maintained its position as the No.1 domestic manufacturer of nonwoven materials. In its nonwoven materials operations, the Group has five manufacturing and processing companies, one sales company and one after-sales service company to run the four businesses described earlier. Overseas, the Group operates an automobile floor mat business in North America and China.



Net Sales Breakdown by Region

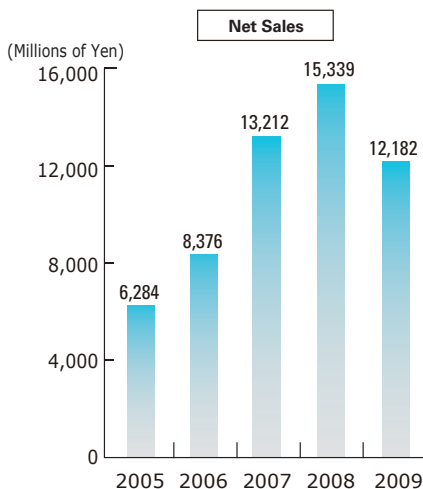
Japan

In Japan, all of the Apparel and Medical Materials, Industrial and Electrical Materials, Automotive Materials, and Air Filters segments experienced weaker sales, chiefly influenced by the sharp downturn in the market conditions. As a result, net sales decreased 12.9% from the previous year, to ¥37,945 million, while operating income fell 97.5%, to ¥44 million.



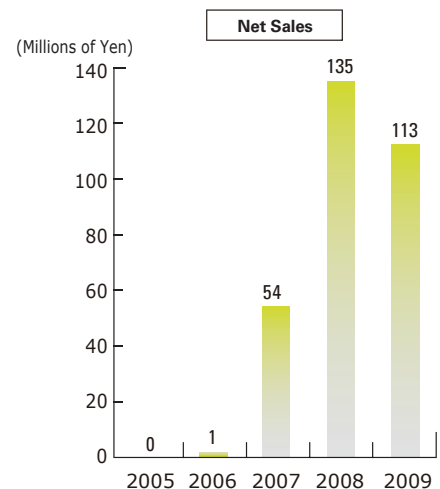
North America

In North America, net sales declined 20.6% year on year, to ¥12,182 million, and operating income fell 38.8%, to ¥1,245 million, reflecting the appreciation of the yen and a fall in sales of automobile floor mats linked with a sharp drop in new car sales.



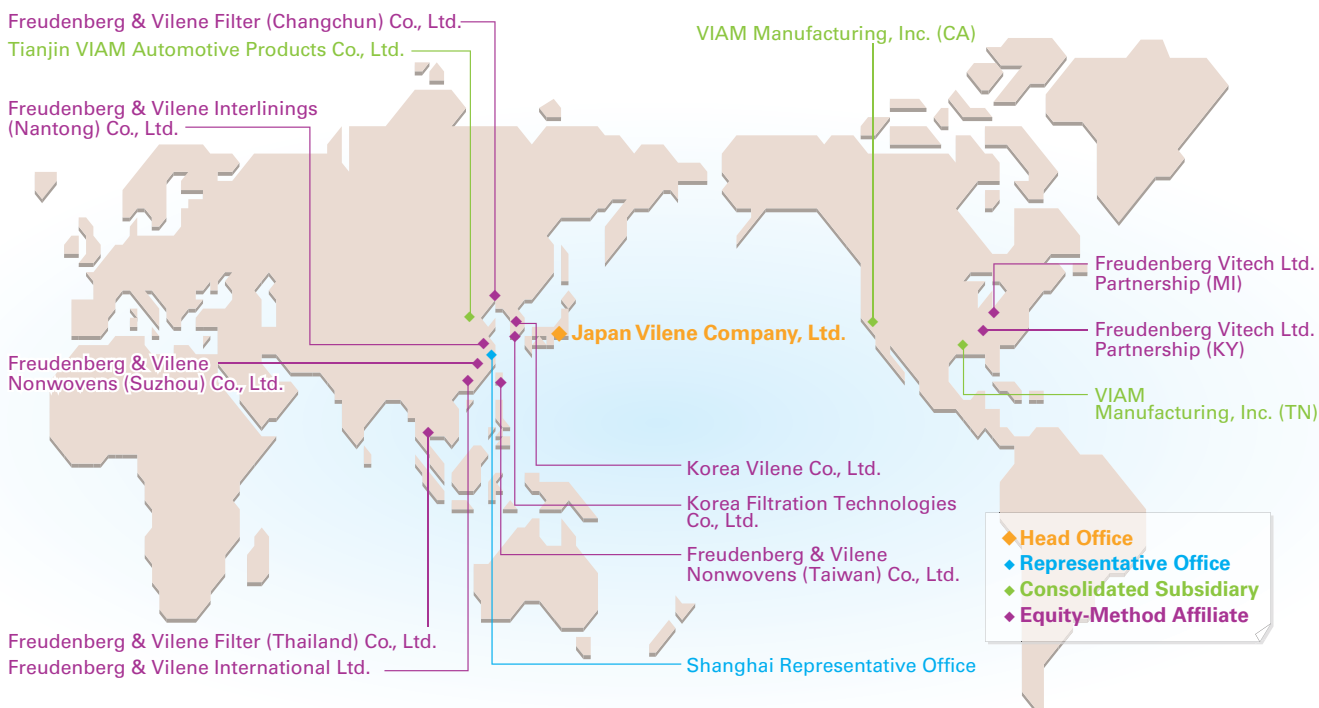
Asia

In Asia, total sales (sales to customers and intersegment sales) of automobile floor mats rose steadily, primarily thanks to the acquisition of new business. However, net sales decreased 17.0% from the previous year to ¥113 million, and operating income fell 0.6% to ¥51 million, attributable mainly to a rise in prices of raw materials.



Overseas Network

Japan Vilene is the leading nonwoven fabrics company in Japan. Overseas, we operate nonwoven fabrics businesses mainly in East Asia, in an alliance with the Freudenberg Group. We also operate an automobile floor mat business independently.



Asia

Cooperating with the Freudenberg Group, Japan Vilene operates a sales company in Hong Kong and production bases in Taiwan, China, and South Korea. Our business in Asia is largely concentrated on the apparel materials segment, although we plan to expand other activities in the future. Initiatives during the year included the establishment of Freudenberg & Vilene Filter (Thailand) Co., Ltd. in partnership with the Freudenberg Group in January 2008, to manufacture and market air filters for automobiles, gas turbines, and other industrial applications in ASEAN countries.

In 2004, we established Tianjin VIAM Automotive Products Co., Ltd., a wholly owned subsidiary in China that manufactures and sells car floor mats. The new subsidiary has given us a foothold for our production operations, and we now plan to expand the scale of these operations to improve profitability. In our domestic operations, we established Japan VIAM Co., Ltd. in 2006. With the founding of Japan VIAM, we now have a network of production bases in the United States, China and Japan for our car floor mat business.

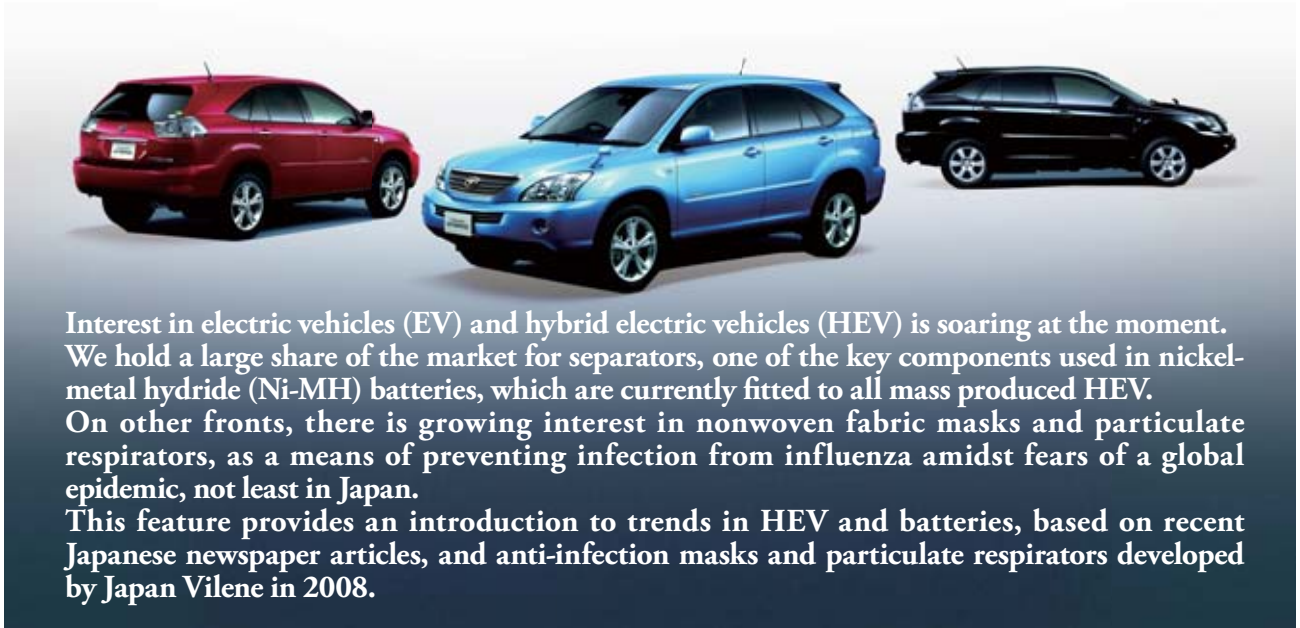
In April 2009, we signed an agreement with Hikotomi Industrial Co., Ltd. for the transfer of its business to Japan VIAM Co., Ltd., which will assist us in bolstering the automobile floor mat business and consolidating production bases in Japan.

North America

Japan Vilene carried out its U.S. car floor mat business through VIAM Manufacturing Inc., a wholly owned subsidiary with two production bases in California and Tennessee. In January 2008, three companies which run the two car floor mat plants, were merged into VIAM Manufacturing Incorporated, and the combined entity's head office moved from California to Tennessee. We will continue to expand our operations by supplying products to the Big Three U.S. automakers in addition to Japanese car manufacturers.

In the United States, we have also established Freudenberg Vitech Ltd. Partnership (FVLP), a joint venture with the Freudenberg Group, to operate the automotive headliner business using nonwoven fabrics. Supplying automakers with products from production and sales bases in Kentucky and Michigan, we aim to expand our share in the U.S. market.

Japan Vilene's Initiatives in the Medical, Health and Environmental Sectors



Hybrid electric vehicles (HEV) and batteries

Despite only being launched by Toyota on May 18, 2009, more than 130,000 orders have already been placed for the New Prius, with demand expected to remain at a high level from June onwards (The Nikkei, June 5, 2009). Sales of the Honda Insight meanwhile, which was launched in February 2009, also exceeded 20,000 vehicles during the period from February to the end of the holiday period in early May (The Nikkei, May 19, 2009).

A battery manufacturer jointly financed by Toyota and Panasonic began full production of vehicle batteries in May 2008 and plans to commence operations at a new plant currently under construction in Miyagi prefecture next year (2010). Sanyo Electric is also pushing ahead with mass production plans, including the construction of a new next generation battery plant in Hyogo prefecture at the cost of ¥30 billion (The Nikkei, May 19, 2009).

Within the current market environment, all mass produced HEV are fitted with Ni-MH batteries, which in turn use separators manufactured by Japan Vilene. With approximately one million vehicles on the HEV market in 2009, we expect that the vast majority will continue to be fitted with Ni-MH batteries.



Ni-MH battery for HEV

New developments

Kawasaki Heavy Industries is to start taking orders for light rail vehicles (LRV) in the United States for the first time in 30 years. Developed exclusively by Kawasaki, the SWIMO low-floor battery-powered streetcar is a low-floor LRV that runs on batteries developed in 2007. SWIMO vehicles are fitted with Ni-MH batteries (The Nikkan Kogyo Shimbun, April 23, 2009).

On April 17, Panasonic EV Energy, a joint venture between Toyota and Panasonic, received an order for Ni-MH batteries for 2,000 buses from Allison Transmission, a Japanese-US transmission manufacturer based in the state of Indiana (FujiSankei Business i, April 18, 2009).

Toyota Industries, the world's leading forklift truck manufacturer, is set to begin commissioned production of dozens of hybrid vehicles equipped with Ni-MH batteries in December 2009. The battery fitted in the Toyota Prius has been modified for use in forklift trucks (The Nikkei, June 9, 2009).

Development of the NIOSH approved V-1003N N95 particulate respirator

Sales targeting domestic medical institutions, etc.

Our Apparel and Medical Materials Division has developed the V-1003N N95 particulate respirator, which has been approved by the National Institute for Occupational Safety and Health (NIOSH). Sales commenced in July 2008 via sales subsidiary Vilene Create Co., Ltd., primarily targeting facilities such as medical institutions nationwide. The product consists of six layers of material, including three charged filters. The V-1003N offers a high level of particle collection efficiency of higher (collection efficiency of 97.0% with a mean diameter of 0.075 μ m (particle)) and also makes it easy to breathe, thereby alleviating any strain on the user. As all of the materials contained in each particulate respirators are non-metallic, there is no longer any need to dismantle or separate particulate respirators for disposal. V-1003N particulate respirator is designed as individual protectors to reduce the risk of infection amongst workers in high-risk occupations in the event of an influenza epidemic (including medical professionals, quarantine staff, customs, self defense force, police, fire service and other officials and personnel in industries such as power, gas, oil and food retail). We handle every part of the process from manufacturing filters through to processing particulate respirators at domestic plants in Japan.



N95: Standard for particulate respirators as stipulated under US Code of Federal Regulations (42 CFR Part 84: Respiratory Protective Devices)
NIOSH: National Institute for Occupational Safety and Health

Management's Discussion and Analysis of Operations

Performance

Overview

In the year ended March 31, 2009, following a rise in raw material prices in the first half, the U.S. financial crisis sparked by the sub-prime loan problem snowballed during the second half into a global economic downturn. In Japan, exports tumbled because of weak overseas demand in the second half of the fiscal year, and capital investment and the labor market also stalled, ensuring that operating conditions for the Japan Vilene Group were extremely challenging.

Sales

Consolidated net sales declined 14.9%, to ¥50,240 million, reflecting a rapid deterioration in the business situation and the ensuing inventory adjustments among users (corporate customers).

Sales by Operational Segment

Sales of apparel and medical materials declined 7.9% from the previous year, to ¥10,517 million. Although sales of wadding materials for clothing rose from the previous year, sales of nonwoven and woven interlinings fell sharply, largely because of a further acceleration of the trend towards local procurement of secondary materials among leading apparel manufacturers. Sales of cold compress base materials fell slightly, and plaster base material sales rose significantly from the previous year. While industrial dust mask sales shrank because of falling demand, overall mask sales grew considerably as a result of the heightened interest in protection against new strains of influenza.

Sales of industrial and electrical materials decreased 18.3%, to ¥8,700 million. Sales of secondary battery separators for hybrid vehicles and photocopier cleaning rolls expanded. However, sales of secondary battery separators for general applications plummeted on the impact of the slump in demand for products used in power tools amid the slowdown in residential construction in North America. Shipments of printed circuit board substrates also slowed.

Sales of automotive materials, which account for more than 40% of consolidated sales, sank 18.8%, to ¥21,613 million. In China, revenue from floor mats grew considerably, spurred by the acquisition of new commercial rights, but elsewhere sales of automotive

headliner materials and floor mats tumbled, reflecting production adjustments by car manufacturers and falling demand in Japan, as well as lower vehicle sales and the impact of the strong yen in North America.

Sales of air filters slipped 6.7%, to ¥8,029 million. Shipments of general-use air filters fell, reflecting extensions to the filter exchange cycle as a result of user cutbacks and massive production reductions by car manufacturers. Sales of medium-and high-performance air filters for buildings and industrial applications decreased with the impact of reductions in major office building construction, extensions to the filter exchange cycle and the scaling-back of investments in new facilities. Car cabin air filter sales grew.

Note: The primary exchange rate used to convert the dollar-denominated performance of overseas subsidiaries into yen for the period from January through December 2008 was ¥103.49 = US\$1.00. A rate of ¥117.85 = US\$1.00 was used for the previous year.

Cost of Sales, SG&A and Operating Income

The cost of sales ratio worsened 2.0 percentage points, to 80.4%. This increase is attributable to production adjustments the Company made in response to customer inventory adjustments. In addition, cost of sales rose ¥103 million as a result of application of the Accounting Standard for Measurement of Inventories from the fiscal year under review and ¥134 million due to a change in the useful life of machinery and equipments from nine years to seven.

Selling, general and administrative (SG&A) expenses shrank ¥380 million, or 4.3%, to ¥8,523 million as a result of a decrease in the provision for bonuses and cost-cutting efforts. Operating income declined ¥2,545 million, or 65.8%, to ¥1,324 million.

Other Income/Expenses

Equity in earnings of associated companies fell ¥297 million, or 47.0%, from the previous year, to ¥337 million. Due to a worsening operating environment in apparel materials and falling market value of the idle assets and lease assets, the Company reduced the carrying value of these assets to the recoverable amount, and recorded this reduction of ¥250 million as an impairment loss in other expenses. As a result, total other income (net of other expenses) amounted to ¥153 million, down ¥135 million, or 46.9%, from the previous year.

Income before Income Taxes and Minority Interests/Net Income

Income before income taxes and minority interests

sank ¥2,680 million, or 64.5%, to ¥1,477 million. Net income decreased ¥1,762 million, or 72.4%, to ¥672 million.

Earnings per share fell ¥27.14, to ¥10.36, and return on equity (ROE) decreased 4.9 percentage points, to 1.9%.

Financial Position and Liquidity

Assets, Liabilities and Shareholders' Equity

On March 31, 2009, total assets stood at ¥52,620 million, down ¥3,169 million, or 5.7%, from a year earlier. Total current assets grew ¥550 million, or 2.2%, to ¥25,189 million, due mainly to expansion of cash and deposits to increase the liquidity, despite a decrease in notes and accounts receivable. Property, plant and equipment and investments and other assets diminished ¥3,718 million, or 11.9%. This was mainly attributable to devaluations of property, plant and equipment and investment securities owing to the unfavorable exchange rates used to convert assets of overseas subsidiaries and associated companies that are denominated in local currencies into yen.

Total liabilities fell ¥203 million, or 1.1%, to ¥18,796 million. Current liabilities were down ¥2,553 million, or 18.0%, due mainly to declines in trade notes and accounts payable and the provision for bonuses, which offset a rise in short-term bank loans.

Long-term liabilities climbed ¥2,350 million, or 49.1%. This was largely attributable to long-term borrowing to increase liquidity. Long-term debt increased ¥2,663 million, to ¥3,417 million.

Net Assets

Net assets at fiscal year end stood at ¥33,824 million, down ¥2,966 million, or 8.1%, from the previous year-end figure. This decrease reflects a decline in foreign currency translation adjustments due to progressive yen appreciation.

Retained earnings edged down ¥107 million. As a result, the equity ratio slipped 1.7 percentage points from the previous year, to 63.7%.

Capital Expenditures and Depreciation

In the year under review, the Japan Vilene Group had

planned capital expenditures for the construction and renovation of facilities totaling ¥3,600 million, but, in response to the dramatic change in the operating environment caused by the downturn in the second half of the year, the Group sought to postpone and scale back capital investment and, as a result, total capital expenditures amounted to ¥2,213 million. A large portion of this amount was used to expand nonwoven processing facilities at the Tokyo Plant. Depreciation and amortization grew ¥205 million, or 8.0%, to ¥2,770 million.

Cash Flows

Net cash provided by operating activities amounted to ¥4,083 million, down ¥682 million, or 14.3%, from the previous year. The decrease stemmed mainly from a ¥2,680 million decline in income before income taxes and minority interests as a result of a deterioration in performance and a ¥2,102 million reduction in trade notes and accounts payable, which offset the ¥2,904 million increase attributable to a decrease in trade notes and accounts receivable.

Net cash used in investing activities amounted to ¥2,394 million, down ¥821 million, or 25.6%, from the previous year. This decrease was due mainly to declines in expenditure of ¥1,008 million for the purchase of property, plants and equipment, ¥57 million for the purchase of intangible fixed assets, and ¥66 million for the purchase of investment securities.

Net cash provided by financing activities was ¥3,052 million. This reflected proceeds from the issuing of long-term debt of ¥2,950 million.

As a result of the above, cash and cash equivalents stood at ¥7,301 million at year-end on a consolidated basis, up ¥4,562 million from a year earlier.

Business Risks

The various risks that may potentially affect the business performance and the financial position of the Japan Vilene Group are summarized below. Information contained therein is based on the Group's interpretation of information available at the time of the submission of the annual securities report (June 26, 2009).

Economic Conditions

Demand for the Group's core nonwoven fabrics and items processed from nonwoven fabrics as well as for the Group's other products and for its materials used in other companies' products is affected by economic conditions in markets where the Group sells such products. For these reasons, economic recessions in the Group's major markets, including Japan, North America, and Asia, could cause demand to fall, which may have a negative impact on the Group's business performance and financial position.

Procurement of raw materials

The Group uses many petroleum products as raw materials and since the prices of such products are affected by international commodity market conditions, depending on market conditions, raw material costs may rise, which may affect the Group's business performance.

Foreign Exchange Fluctuations

The Japan Vilene Group's business includes overseas production and sales operations primarily in North America and Asia. Sales, expenses, assets, and other items relevant to each region that are denominated in local currencies are translated into yen in the course of preparing the Group's consolidated financial statements. Even if the local value of such items does not change, the value after translation into yen may be affected. In general, an appreciating yen has a negative effect on the Group's business, and a depreciating yen has a positive effect. Over the medium and long terms, however, exchange rate fluctuations can make it impossible to undertake procurement, manufacturing, and sales activities exactly as planned. Therefore, exchange rate fluctuations can potentially have a negative influence on the Group's business performance and financial position.

Product Development Capabilities

The Group is confident of its ability to continue developing innovative and appealing products. However, product development and sales processes, due to their nature and complexity, involve uncertainties and risks. For example: (1) there is no guarantee that the Group can adequately obtain the capital and resources required to invest in new products and technologies; (2) the Group cannot predict without fail that its new products and technologies will win market support, and also cannot guarantee that the sale of such products will be successful; and (3) rapid technological advances and changes may cause the Group's products to be superseded. The unpredictability of industry and

market changes could prevent the Group from developing attractive new products, which could cause future growth and profits to decline. The Group's business performance and financial positions could be adversely affected as a result.

Risks Associated with Overseas Expansion

The Group's production and sales operations also extend outside Japan to such regions as North America and Asia. The Group has consolidated subsidiaries in the United States, China and Hong Kong, as well as equity-method affiliates in the United States, China, Hong Kong, South Korea, Taiwan and Thailand. Establishing operations in overseas markets involves a number of risks: (1) unpredictable changes in laws and other regulations; (2) the impact of discrepancies between the tax systems of the various countries; (3) difficulties in recruiting and retaining staff; (4) aspects of the political system and economy that are different from those in Japan; and (5) social upheaval caused by terrorist and other acts. The Group's business performance and financial position could be affected as a consequence.

Retirement Benefit Obligations

The Group's employee retirement benefit expenses and obligations are calculated based on discount rates and other preconditions for actuarial calculations, as well as expected return on pension assets. Actual results may differ from these preconditions, and the preconditions themselves may have to be changed. The Group's business performance and financial position could be affected as a result.

Impairment Accounting

If the fair value of the Group's assets falls sharply or if business profitability worsens, as a result of impairment accounting, impairment losses on fixed assets may be incurred and the Group's business performance and financial position could be affected as a result.

Action for Damages

An action brought by ITOCHU PLASTICS INC. and another company against the Company and three other companies, seeking damages of ¥704 million in connection with fraud involving a former employee of the Company in past years is pending. The claim for damages being made against the Company in this action is without grounds. The Company plans to fight the claim in court, and at the present stage has estimated the amount of losses that could be incurred in the future and posted a contingent loss reserve for the amount considered necessary. Depending on the outcome, however, losses exceeding the reserve may be incurred.

Board of Directors and Auditors

(As of June 26, 2009)



Managing Director
Yoshiaki Mizutani

President
Mitsuo Kanno

Senior Managing Director
Kazuo Hamada

Managing Director
Toshio Yoshida



Director
Shigeo Morioka



Director
Keiji Abo



Director
Masahiro Kimura



Director
Yasufumi Matsumiya



Director
Haruhiko Ito



Director
Thomas Seidel



Director
Osamu Nakatani



Standing Auditor
Tsuyoshi Ninomiya



Standing Auditor
Shizuhiko Abe



Standing Auditor
Kunikazu Mochizuki



Auditor
Toshio Kimura

Consolidated Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Japan Vilene Company, Ltd.:

We have audited the accompanying consolidated balance sheets of Japan Vilene Company, Ltd. (the "Company") and subsidiaries as of March 31, 2009 and 2008, 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 Japan Vilene Company, Ltd. and subsidiaries as of March 31, 2009 and 2008, 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 12, 2009

Member of
Deloitte Touche Tohmatsu

Japan Vilene Company, Ltd. and Subsidiaries

**Consolidated Balance Sheets
March 31, 2009 and 2008**

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009		2009	2008	2009
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 7,301	¥ 2,739	\$ 74,500	Short-term bank loans (Note 8)	¥ 5,367	¥ 4,340	\$ 54,765
Time deposits	19	19	194	Current portion of long-term debt (Note 8)	148	154	1,510
Notes and accounts receivable (Note 15):				Notes and accounts payable (Note 15):			
Trade notes	2,497	3,584	25,480	Trade notes	791	1,089	8,072
Trade accounts	6,404	9,333	65,347	Trade accounts	2,371	4,566	24,194
Allowance for doubtful receivables	(4)	(16)	(41)	Other	1,038	1,355	10,592
Inventories (Note 4)	6,921	6,813	70,623	Income taxes payable (Note 9)	30	327	306
Deferred tax assets (Note 9)	437	768	4,459	Accrued expenses and other current liabilities	1,916	2,383	19,551
Prepaid expenses and other current assets (Note 15)	1,614	1,400	16,469				
Total current assets	25,189	24,640	257,031	Total current liabilities	11,661	14,214	118,990
PROPERTY, PLANT AND EQUIPMENT (Notes 5, 6 and 8)	67,537	67,664	689,153	LONG-TERM LIABILITIES:			
Accumulated depreciation	(49,054)	(47,881)	(500,551)	Long-term debt (Note 8)	3,417	754	34,867
Net property, plant and equipment	18,483	19,783	188,602	Liability for retirement benefits (Note 10)	2,250	2,592	22,959
INVESTMENTS AND OTHER ASSETS:				Deferred tax liabilities (Note 9)	573	554	5,847
Investment securities (Note 3)	869	1,066	8,867	Long-term guarantee deposited	568	610	5,796
Investments in and advances to associated companies	4,605	6,798	46,990	Other	327	275	3,337
Guarantee deposits	1,032	1,046	10,531	Total long-term liabilities	7,135	4,785	72,806
Deferred tax assets (Note 9)	975	1,024	9,949	COMMITMENTS AND CONTINGENT LIABILITIES			
Other assets	1,467	1,432	14,969	(Notes 7, 12, 15 and 17)			
Total investments and other assets	8,948	11,366	91,306	EQUITY (Notes 11, 13 and 19):			
				Common stock—authorized, 152,713,000 shares; issued, 65,140,945 shares in 2009 and 2008	9,816	9,816	100,163
				Capital surplus	7,494	7,494	76,469
				Stock acquisition rights	15	15	153
				Retained earnings	19,149	19,256	195,398
				Unrealized gain on available-for-sale securities	94	212	959
				Deferred loss on derivatives under hedge accounting	(2)	(2)	(20)
				Foreign currency translation adjustments	(2,926)	(196)	(29,857)
				Treasury stock—at cost, 266,606 shares in 2009 and 230,096 shares in 2008	(129)	(113)	(1,316)
				Total	33,511	36,482	341,949
				Minority interests	313	308	3,194
				Total equity	33,824	36,790	345,143
TOTAL	¥ 52,620	¥ 55,789	\$ 536,939	TOTAL	¥ 52,620	¥ 55,789	\$ 536,939

See notes to consolidated financial statements.

Japan Vilene Company, Ltd. and Subsidiaries

Consolidated Statements of Income Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
NET SALES (Notes 15 and 18)	¥ 50,240	¥ 59,021	\$ 512,653
COST OF SALES (Notes 5, 7, 10, 15, 16 and 18)	<u>40,393</u>	<u>46,249</u>	<u>412,173</u>
Gross profit	9,847	12,772	100,480
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 5, 7, 10, 16 and 18)	<u>8,523</u>	<u>8,903</u>	<u>86,970</u>
Operating income (Note 18)	<u>1,324</u>	<u>3,869</u>	<u>13,510</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	100	91	1,020
Interest expense	(105)	(149)	(1,071)
Gain on sales of investment securities (Note 3)	18		184
Equity in earnings of associated companies	337	634	3,439
Loss on disposal of property, plant and equipment	(81)	(74)	(827)
Foreign exchange gain (loss)	24	(111)	245
Loss on impairment of long-lived assets (Note 6)	(250)	(281)	(2,551)
Other—net	<u>110</u>	<u>178</u>	<u>1,122</u>
Other income—net	<u>153</u>	<u>288</u>	<u>1,561</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>1,477</u>	<u>4,157</u>	<u>15,071</u>
INCOME TAXES (Note 9):			
Current	279	1,440	2,847
Deferred	<u>506</u>	<u>253</u>	<u>5,163</u>
Total income taxes	<u>785</u>	<u>1,693</u>	<u>8,010</u>
INCOME BEFORE MINORITY INTERESTS	692	2,464	7,061
MINORITY INTERESTS	<u>(20)</u>	<u>(30)</u>	<u>(204)</u>
NET INCOME	<u>¥ 672</u>	<u>¥ 2,434</u>	<u>\$ 6,857</u>

Japan Vilene Company, Ltd. and Subsidiaries

Consolidated Statements of Income Years Ended March 31, 2009 and 2008

	Yen		U.S. Dollars
	<u>2009</u>	<u>2008</u>	<u>2009</u>
PER SHARE AMOUNTS (Note 14):			
Net income	¥ 10.36	¥ 37.50	\$ 0.11
Diluted net income	10.35	37.46	0.11
Cash dividends applicable to the year	12.00	12.00	0.12

See notes to consolidated financial statements.

Japan Vilene Company, Ltd. and Subsidiaries

**Consolidated Statements of Changes in Equity
Years Ended March 31, 2009 and 2008**

	Thousands	Millions of Yen										
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2007	64,923	¥ 9,816	¥ 7,495	¥ 17	¥ 17,601	¥ 242		¥ 155	¥ (104)	¥ 35,222	¥ 292	¥ 35,514
Net income					2,434					2,434		2,434
Cash dividends, ¥12 per share					(779)					(779)		(779)
Disposal of treasury stock	9		(1)						4	3		3
Repurchase of treasury stock	(21)								(13)	(13)		(13)
Net change in the year				(2)		(30)	¥(2)	(351)		(385)	16	(369)
BALANCE, MARCH 31, 2008	64,911	9,816	7,494	15	19,256	212	(2)	(196)	(113)	36,482	308	36,790
Net income					672					672		672
Cash dividends, ¥12 per share					(779)					(779)		(779)
Repurchase of treasury stock	(37)								(16)	(16)		(16)
Net change in the year						(118)		(2,730)		(2,848)	5	(2,843)
BALANCE, MARCH 31, 2009	<u>64,874</u>	<u>¥ 9,816</u>	<u>¥ 7,494</u>	<u>¥ 15</u>	<u>¥ 19,149</u>	<u>¥ 94</u>	<u>¥ (2)</u>	<u>¥ (2,926)</u>	<u>¥ (129)</u>	<u>¥ 33,511</u>	<u>¥ 313</u>	<u>¥ 33,824</u>

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2008	\$ 100,163	\$ 76,469	\$ 153	\$ 196,490	\$ 2,163	\$ (20)	\$ (2,000)	\$ (1,153)	\$ 372,265	\$ 3,143	\$ 375,408
Net income				6,857					6,857		6,857
Cash dividends, \$0.12 per share				(7,949)					(7,949)		(7,949)
Repurchase of treasury stock								(163)	(163)		(163)
Net change in the year					(1,204)		(27,857)		(29,061)	51	(29,010)
BALANCE, MARCH 31, 2009	<u>\$ 100,163</u>	<u>\$ 76,469</u>	<u>\$ 153</u>	<u>\$ 195,398</u>	<u>\$ 959</u>	<u>\$ (20)</u>	<u>\$ (29,857)</u>	<u>\$ (1,316)</u>	<u>\$ 341,949</u>	<u>\$ 3,194</u>	<u>\$ 345,143</u>

See notes to consolidated financial statements.

Japan Vilene Company, Ltd. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2009</u>	<u>2008</u>	<u>2009</u>
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 1,477	¥ 4,157	\$ 15,071
Adjustments for:			
Income taxes paid	(996)	(1,657)	(10,163)
Depreciation and amortization	2,770	2,565	28,265
Loss on sales and disposal of property, plant and equipment—net	60	69	612
Gain on sales of investment securities	(13)		(133)
Decrease in liability for retirement benefits	(342)	(552)	(3,490)
Increase in provision for contingent loss	83		847
Equity in earnings of associated companies, net of dividends received	473	420	4,827
Loss on impairment of long-lived assets	250	281	2,551
Changes in assets and liabilities:			
Decrease in trade notes and accounts receivable	3,805	901	38,827
Increase in inventories	(280)	(191)	(2,857)
Decrease in trade notes and accounts payable	(2,968)	(866)	(30,286)
Other—net	(236)	(362)	(2,408)
Total adjustments	<u>2,606</u>	<u>608</u>	<u>26,592</u>
Net cash provided by operating activities	<u>4,083</u>	<u>4,765</u>	<u>41,663</u>
INVESTING ACTIVITIES:			
Decrease in time deposits—net		4	
Capital expenditures	(2,213)	(3,278)	(22,582)
Proceeds from sales of property, plant and equipment	27	66	276
Purchase of investment securities	(20)	(86)	(204)
Proceeds from sales of investment securities	34	1	347
Disbursements for loans	(285)	(130)	(2,908)
Proceeds from repayment of loans		165	
Collection of investments in capital	20		204
Other—net	43	43	439
Net cash used in investing activities	<u>(2,394)</u>	<u>(3,215)</u>	<u>(24,428)</u>
FORWARD	<u>¥ 1,689</u>	<u>¥ 1,550</u>	<u>\$ 17,235</u>

Japan Vilene Company, Ltd. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
FORWARD	<u>¥ 1,689</u>	<u>¥ 1,550</u>	<u>\$ 17,235</u>
FINANCING ACTIVITIES:			
Increase in short-term bank loans—net	1,061	123	10,827
Proceeds from issuance of long-term debt	2,950		30,102
Repayments of long-term debt	(149)	(2,205)	(1,521)
Repurchase of treasury stock	(16)	(13)	(163)
Dividends paid	(779)	(779)	(7,949)
Dividends paid for minority interests	(15)	(13)	(153)
Net cash provided by (used in) financing activities	<u>3,052</u>	<u>(2,887)</u>	<u>31,143</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,741	(1,337)	48,378
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(179)	(42)	(1,827)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,739</u>	<u>4,118</u>	<u>27,949</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 7,301</u>	<u>¥ 2,739</u>	<u>\$ 74,500</u>

See notes to consolidated financial statements.

Japan Vilene Company, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements Years Ended March 31, 2009 and 2008

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2008 consolidated financial statements to conform to classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Japan Vilene Company, Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to \$1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation—The consolidated financial statements as of March 31, 2009 include the accounts of the Company and its 12 significant (13 in 2008) subsidiaries (together, the "Group").

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 Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in ten (ten in 2008) associated companies are accounted for by the equity method. Investments in the remaining associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The accounts of foreign subsidiaries are included on the basis of their fiscal year end of December 31. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group are eliminated.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan ("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." PITF No. 18 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 of America 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: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (e) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008. There was no effect from this change.

Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of deposits, all of which mature or become due within three months of the date of acquisition.

Inventories—Prior to April 1, 2008, inventories were stated at cost, determined by the average method. Inventories of subsidiaries are stated principally at the latest purchase cost. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." 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 Company applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to decrease operating income by ¥103 million (\$1,051 thousand) and income before income taxes and minority interests by ¥160 million (\$1,633 thousand).

Securities—Securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and (3) available-for-sale securities, which are not classified as either of the aforementioned 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.

Property, Plant and Equipment—Property, plant and equipment are stated at cost. Significant renewals and additions are capitalized; maintenance and repairs are charged to income as incurred. Depreciation of property, plant and equipment is principally computed by the declining-balance method except for buildings. The Company uses the straight-line method for depreciation of buildings. The domestic subsidiaries use the straight-line method for depreciation of buildings acquired after March 31, 1998. The declining-balance method was used for buildings acquired prior to April 1, 1998. Depreciation of property, plant and equipment of foreign subsidiaries is principally computed by the straight-line method.

The ranges of the estimated useful lives of the assets used for the computation of depreciation are as follows:

Buildings and structures	38 to 50 years
Machinery and equipment	Principally 7 years

Long-lived Assets—The Group reviews its 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.

Retirement and Pension Plans—Liabilities for employees' retirement benefits of the Company and its domestic subsidiaries are provided based on the retirement benefit obligations and the fair value of pension plan assets as of the balance sheet date.

Prior service cost is amortized by the straight-line method over stated years that do not exceed the average remaining service period of the eligible employees (five years).

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized by the straight-line method over stated years that do not exceed the average remaining service period of the eligible employees (ten years).

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

Stock Options—ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

The Company applied the accounting standard for stock options to those granted on and after May 1, 2006.

Research and Development Costs—Research and development costs are charged to income as incurred.

Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. 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.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were 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 to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. There was no effect from this change.

Bonuses to Directors and Corporate Auditors—Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

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.

The Company and certain domestic subsidiaries file a tax return under the consolidated corporate-tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

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

Translation of Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rate at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts. Forward exchange contracts are separately accounted for in accordance with the accounting standard for financial instruments.

Translation of Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate at the balance sheet date except for equity, which is translated at the historical rates. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries and associated companies are translated into Japanese yen at the average rates of exchange. The accounts of the consolidated statements of cash flows in foreign currencies are also translated at the average rates of exchange.

Derivatives and Hedging Activities—The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swap contracts are utilized by the Company to reduce foreign currency exchange and interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and (2) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at fair value and the unrealized gains or losses are recognized in income. Forward contracts designated as hedging forecasted (or committed) transactions are also measured at the fair value but the unrealized gains or losses are deferred until the underlying transactions are completed.

The interest rate swap contracts 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 expense or income.

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 reflects the potential dilution that could occur if securities were exercised or converted into common stock.

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

New Accounting Pronouncements

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method—The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No. 16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and (6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

3. SECURITIES

Investment securities at March 31, 2009 and 2008, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2009</u>	<u>2008</u>	<u>2009</u>
Non-current—Investment securities:			
Marketable equity securities	¥ 672	¥ 853	\$ 6,857
Non-marketable equity securities	<u>197</u>	<u>213</u>	<u>2,010</u>
Total	<u>¥ 869</u>	<u>¥ 1,066</u>	<u>\$ 8,867</u>

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2009 and 2008, were as follows:

	Millions of Yen			
	2009			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as available-for-sale equity securities	¥ 474	¥ 248	¥ 50	¥ 672

	Millions of Yen			
	2008			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as available-for-sale equity securities	¥ 472	¥ 389	¥ 8	¥ 853

	Thousands of U.S. Dollars			
	2009			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Securities classified as available-for-sale equity securities	\$ 4,837	\$ 2,531	\$ 511	\$ 6,857

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 and 2008, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	<u>2009</u>	<u>2008</u>	<u>2009</u>
Securities classified as available-for-sale equity securities	¥ 197	¥ 213	\$ 2,010

Proceeds from sales of available-for-sale equity securities for the years ended March 31, 2009 and 2008, were ¥34 million (\$347 thousand) and ¥1 million, respectively. Realized gains on these sales, computed on the moving average cost basis, were ¥18 million (\$184 thousand) for the year ended March 31, 2009.

4. INVENTORIES

Inventories at March 31, 2009 and 2008, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2009</u>	<u>2008</u>	<u>2009</u>
Merchandise	¥ 561	¥ 1,255	\$ 5,725
Finished goods	4,104	3,009	41,878
Work in process	605	788	6,173
Raw materials and supplies	<u>1,651</u>	<u>1,761</u>	<u>16,847</u>
Total	<u>¥ 6,921</u>	<u>¥ 6,813</u>	<u>\$ 70,623</u>

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at March 31, 2009 and 2008, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2009</u>	<u>2008</u>	<u>2009</u>
Land	¥ 4,076	¥ 4,136	\$ 41,592
Buildings and structures	22,014	22,358	224,632
Machinery, equipment and vehicles	35,284	34,753	360,041
Tools, furniture and fixtures	5,938	5,931	60,592
Construction in progress	<u>225</u>	<u>486</u>	<u>2,296</u>
Total	<u>¥ 67,537</u>	<u>¥ 67,664</u>	<u>\$ 689,153</u>

Depreciation expense amounted to ¥2,770 million (\$28,265 thousand) and ¥2,565 million for the years ended March 31, 2009 and 2008, respectively.

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2009. As a result, the Group recognized an impairment loss of ¥250 million (\$2,551 thousand) as loss on impairment of long-lived assets for the assets used for business of apparel materials, idle assets and leased assets due to a substantial decline in the apparel business environment and a decline in market value and the carrying amount of their assets was written down to the recoverable amount. The recoverable amount of their assets was measured at their net selling price determined by an appraisal from a real estate appraiser.

7. LEASES

The Group leases certain office equipment and vehicles under long-term noncancelable lease agreements.

Total rental expense for the years ended March 31, 2009 and 2008, was ¥706 million (\$7,204 thousand) and ¥699 million, respectively, including ¥31 million (\$316 thousand) and ¥32 million of lease payments under finance leases.

As discussed in Note 2, the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of leased property such as acquisition cost, accumulated depreciation and obligations under finance leases that do not transfer ownership of the leased property to the Group on an "as if capitalized" basis as of March 31, 2009 and 2008, was as follows:

	Millions of Yen					
	2009			2008		
	Machinery and Equipment	Tools, Furniture and Fixtures	Total	Machinery and Equipment	Tools, Furniture and Fixtures	Total
Acquisition cost	¥ 57	¥ 100	¥ 157	¥ 57	¥ 110	¥ 167
Accumulated depreciation	<u>28</u>	<u>48</u>	<u>76</u>	<u>20</u>	<u>35</u>	<u>55</u>
Net leased property	<u>¥ 29</u>	<u>¥ 52</u>	<u>¥ 81</u>	<u>¥ 37</u>	<u>¥ 75</u>	<u>¥ 112</u>

	Thousands of U.S. Dollars		
	2009		
	Machinery and Equipment	Tools, Furniture and Fixtures	Total
Acquisition cost	\$ 581	\$ 1,021	\$ 1,602
Accumulated depreciation	<u>285</u>	<u>490</u>	<u>775</u>
Net leased property	<u>\$ 296</u>	<u>\$ 531</u>	<u>\$ 827</u>

Future lease payments, including imputed interest, under finance leases that do not transfer ownership of the leased property and long-term noncancelable operating leases as of March 31, 2009 and 2008, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2009	2008		2009
	Finance Lease	Finance Lease	Operating Lease	Finance Lease
Due within one year	¥ 28	¥ 31	¥ 31	\$ 286
Due after one year	<u>53</u>	<u>81</u>	<u>34</u>	<u>541</u>
Total	<u>¥ 81</u>	<u>¥ 112</u>	<u>¥ 65</u>	<u>\$ 827</u>

Depreciation expense which was not reflected in the consolidated statements of income, computed by the straight-line method, was ¥31 million (\$316 thousand) and ¥32 million for the years ended March 31, 2009 and 2008, respectively.

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans represented borrowings under bank overdraft agreements and notes, bearing interest at rates ranging from 0.8% to 3.4% and from 1.0% to 6.0% per annum at March 31, 2009 and 2008, respectively.

Long-term debt at March 31, 2009 and 2008, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>2009</u>	<u>2008</u>	<u>U.S. Dollars</u>
1.1% to 6.7% loans due through 2014:			
Collateralized	¥ 60	¥ 140	\$ 612
Unsecured	<u>3,505</u>	<u>768</u>	<u>35,765</u>
Total	3,565	908	36,377
Less current portion	<u>(148)</u>	<u>(154)</u>	<u>(1,510)</u>
Total	<u>¥ 3,417</u>	<u>¥ 754</u>	<u>\$ 34,867</u>

Annual maturities of long-term debt at March 31, 2009, were as follows:

<u>Year Ending</u> <u>March 31</u>	<u>Millions of Yen</u>	<u>Thousands of</u>
2010	¥ 148	\$ 1,510
2011	163	1,663
2012	2,779	28,357
2013	233	2,378
2014	<u>242</u>	<u>2,469</u>
Total	<u>¥ 3,565</u>	<u>\$ 36,377</u>

The carrying amounts of assets pledged as collateral for long-term bank loans of ¥60 million (\$612 thousand) at March 31, 2009, were as follows:

	<u>Millions of Yen</u>	<u>Thousands of</u>
Land	¥ 208	\$ 2,122
Buildings and structures	3,328	33,959
Machinery, equipment and vehicles	2,367	24,153
Tools, furniture and fixtures	<u>391</u>	<u>3,990</u>
Total	<u>¥ 6,294</u>	<u>\$ 64,224</u>

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.5% for the years ended March 31, 2009 and 2008. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2009</u>	<u>2008</u>	<u>2009</u>
Deferred tax assets:			
Accrued bonuses	¥ 244	¥ 422	\$ 2,490
Liability for retirement benefits	882	1,020	9,000
Loss on write-down of investment securities	143	141	1,459
Loss on revaluation of long-lived assets	180	107	1,837
Loss on write-down of other investments	18	18	184
Tax loss carryforwards	27	28	275
Provision for contingent loss	34		347
Other	372	525	3,796
Less valuation allowance	<u>(363)</u>	<u>(259)</u>	<u>(3,704)</u>
Total deferred tax assets	<u>1,537</u>	<u>2,002</u>	<u>15,684</u>
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(64)	(142)	(653)
Differences on land revaluation	(301)	(301)	(3,072)
Reserve for special depreciation	(23)	(27)	(235)
Reserve for advanced depreciation of non-current assets	(35)	(45)	(357)
Other	<u>(276)</u>	<u>(249)</u>	<u>(2,816)</u>
Total deferred tax liabilities	<u>(699)</u>	<u>(764)</u>	<u>(7,133)</u>
Net deferred tax assets	<u>¥ 838</u>	<u>¥ 1,238</u>	<u>\$ 8,551</u>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2009, is as follows:

	<u>2009</u>
Normal effective statutory tax rate	40.5 %
Expense not deductible for tax purposes	1.4
Accrued bonuses to directors	1.9
Inhabitant tax—per capita	1.3
Valuation allowance	8.5
Difference incurred by preceding fiscal year's tax payment	(3.6)
Credit for foreign taxes	(13.0)
Equity in earnings of associated companies	17.0
Dividend from foreign subsidiaries eliminated for consolidation purpose	9.4
Lower income tax rate applicable to income in certain foreign countries	(9.7)
Other—net	<u>(0.5)</u>
Actual effective tax rate	<u>53.2 %</u>

For the year ended March 31, 2008, a reconciliation was not disclosed because the difference was less than 5% of the normal effective statutory tax rate.

10. LIABILITY FOR RETIREMENT BENEFITS

The Company adopted a cash balance pension plan and a point-method pension plan.

Some domestic subsidiaries have a tax qualified pension plan and a lump-sum retirement benefit plan as their defined benefit pension plan. A foreign subsidiary has a defined contribution pension plan. And in certain instances, the Company pays additional retirement benefits for employees. The cash balance plan adopted by the Company is a hybrid pension plan based on variable interest rates, enabling the Company to flexibly respond to market interest fluctuations. In addition, the Company contributes to the DIC pension funds under the cash balance plan.

The retirement benefits for directors are paid subject to the approval of the shareholders. With respect to the Company, the retirement benefits regulation for directors was abolished at the general shareholders meeting held on June 29, 2005. The accumulated amount to be paid in case of their retirement had been reclassified from "Liability for retirement benefits" into "Long-term liabilities—other" at March 31, 2009 and 2008.

Liability for retirement benefits at March 31, 2009 and 2008, consisted of the following:

	Millions of Yen		Thousands of
	<u>2009</u>	<u>2008</u>	<u>U.S. Dollars</u>
Employees' retirement benefit plans	¥ 2,183	¥ 2,526	\$ 22,276
Directors' plan at some of domestic subsidiaries	<u>67</u>	<u>66</u>	<u>683</u>
Total	<u>¥ 2,250</u>	<u>¥ 2,592</u>	<u>\$ 22,959</u>

The liability for employees' retirement benefits at March 31, 2009 and 2008, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>
Projected benefit obligations	¥ 15,058	¥ 15,710	\$ 153,653
Fair value of plan assets	(9,062)	(11,140)	(92,469)
Unrecognized prior service cost	259	647	2,643
Unrecognized actuarial loss	<u>(4,072)</u>	<u>(2,691)</u>	<u>(41,551)</u>
Net liability	<u>¥ 2,183</u>	<u>¥ 2,526</u>	<u>\$ 22,276</u>

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>
Service cost	¥ 562	¥ 533	\$ 5,735
Interest cost	309	307	3,153
Expected return on plan assets	(334)	(356)	(3,408)
Actuarial cost	462	333	4,714
Prior service cost	<u>(387)</u>	<u>(387)</u>	<u>(3,949)</u>
Net periodic benefit costs	<u>¥ 612</u>	<u>¥ 430</u>	<u>\$ 6,245</u>

Assumptions used for the years ended March 31, 2009 and 2008, are set forth as follows:

	<u>2009</u>	<u>2008</u>
Discount rate	2.2%	2.0%
Expected rate of return on plan assets	3.0%	3.0%
Recognition period of actuarial gain or loss	10 years	10 years
Amortization period of prior service cost	5 years	5 years

11. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, 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. The Company meets all the above criteria.

The Companies Act 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 Companies Act 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 Companies Act 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 Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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 Companies Act 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 Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act 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.

12. COMMITMENTS AND CONTINGENT LIABILITIES

The amount of capital commitments outstanding at March 31, 2009, for purchases of property, plant and equipment for the purpose of renewal or expansion of production and research facilities was ¥324 million (\$3,306 thousand).

Contingent liabilities at March 31, 2009, are summarized as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Guarantees and items of a similar nature of related parties' and employees' indebtedness	¥ 1,044	\$ 10,653
Trade notes endorsed	44	449
Export drafts discounted	<u>31</u>	<u>316</u>
Total	<u>¥ 1,119</u>	<u>\$ 11,418</u>

An action for damages of ¥704 million (\$7,184 thousand) was brought by ITOCHU PLASTICS INC. and another company relating to the fraudulent transaction in which a former employee of the Company had been involved. Four companies including the Company were accused in that case and the litigation is still in progress.

13. STOCK OPTIONS

The stock options outstanding as of March 31, 2009 are as follows:

<u>Stock Option</u>	<u>Persons Granted</u>	<u>Number of Option Granted</u>	<u>Date of Grant</u>	<u>Exercise Price</u>	<u>Exercise Period</u>
2005 Stock Option	8 directors	37,200 shares	June 29, 2005	¥1 (\$0.01)	From August 1, 2005 to June 29, 2025
2006 Stock Option	7 directors	28,400 shares	September 15, 2006	¥1 (\$0.01)	From September 16, 2006 to June 29, 2026

The stock option activity is as follows:

<u>For the Year Ended March 31, 2008</u>	<u>2005 Stock Option</u>	<u>2006 Stock Option</u>
	(Shares)	
Non-vested:		
March 31, 2007—outstanding		
Granted		
Canceled		
Vested		
March 31, 2008—outstanding		
Vested:		
March 31, 2007—outstanding	33,800	28,400
Vested		
Exercised	4,900	4,300
Canceled		
March 31, 2008—outstanding	28,900	24,100

	<u>2005 Stock Option</u>	<u>2006 Stock Option</u>
	(Shares)	
<u>For the Year Ended March 31, 2009</u>		
Non-vested:		
March 31, 2008—outstanding		
Granted		
Canceled		
Vested		
March 31, 2009—outstanding		
Vested:		
March 31, 2008—outstanding	28,900	24,100
Vested		
Exercised		
Canceled		
March 31, 2009—outstanding	28,900	24,100
Exercise price	¥1 (\$0.01)	¥1 (\$0.01)
Average stock price at exercise		
Fair value price at grant date		¥615 (\$6.28)

14. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2009 and 2008, is as follows:

	<u>Millions of Yen</u>	<u>Thousands of Shares</u>	<u>Yen</u>	<u>U.S. Dollars</u>
<u>Year Ended March 31, 2009</u>	<u>Net Income</u>	<u>Weighted-average Shares</u>	<u>EPS</u>	
Basic EPS—Net income available to common shareholders	¥ 672	64,894	<u>¥ 10.36</u>	<u>\$ 0.11</u>
Effect of dilutive securities— Stock options	_____	<u>53</u>		
Diluted EPS—Net income for computation	<u>¥ 672</u>	<u>64,947</u>	<u>¥ 10.35</u>	<u>\$ 0.11</u>
<u>Year Ended March 31, 2008</u>				
Basic EPS—Net income available to common shareholders	¥ 2,434	64,919	<u>¥ 37.50</u>	
Effect of dilutive securities— Stock options	_____	<u>55</u>		
Diluted EPS—Net income for computation	<u>¥ 2,434</u>	<u>64,974</u>	<u>¥ 37.46</u>	

15. RELATED PARTY DISCLOSURES

Transactions of the Company with associated companies for the years ended March 31, 2009 and 2008, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2009</u>	<u>2008</u>	<u>2009</u>
Sales	¥ 1,998	¥ 2,732	\$ 20,388
Purchases	932	1,296	9,510

The balances due to or from these associated companies at March 31, 2009 and 2008, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2009</u>	<u>2008</u>	<u>2009</u>
Trade accounts receivable	¥ 229	¥ 617	\$ 2,337
Prepaid expenses and other current assets	58	277	592
Trade accounts payable	54	201	551

The Company issued a letter of undertaking to provide a guarantee for loan and guarantee for purchase of raw material to certain creditors of Freudenberg & Vilene Nonwovens (Suzhou) Co., Ltd. ("FVC"), an associated company which is accounted for by the equity basis. As of March 31, 2009 and 2008, a letter of undertaking to provide a guarantee for loan and guarantee for purchase of raw material, included in contingent liabilities, covered ¥638 million (\$6,510 thousand) and ¥653 million, respectively, of FVC's obligations.

16. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,743 million (\$17,786 thousand) and ¥1,836 million for the years ended March 31, 2009 and 2008, respectively.

17. DERIVATIVES

The Company enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities. The Company also enters into interest rate swap contracts as a means of managing its interest rate exposure on certain liabilities. All derivative transactions are entered into in order to hedge interest and foreign currency exposures associated with its business. Accordingly, interest and currency risks associated with these derivatives are basically offset by opposite movements in the value of hedged assets and liabilities. Because the counterparties to these derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk. Derivative transactions entered into by the Company have been made in accordance with internal policies, which regulate the authorization and credit limit amount.

The Company had the following derivatives contracts outstanding at March 31, 2009 and 2008:

	Millions of Yen				Thousands of U.S. Dollars	
	2009		2008		2009	
	Contract or Notional Amount	Fair Value	Contract or Notional Amount	Fair Value	Contract or Notional Amount	Fair Value
Forward exchange contracts—Selling U.S.\$	¥ 40	¥ 41			\$ 408	\$ 418

Interest rate swap contracts, which the Company uses, qualify for hedge accounting as of and for the years ended March 31, 2009 and 2008, and are not subject to disclosure.

18. SEGMENT INFORMATION

(1) Operations by Industry Segment

Information has not been provided because the Group operated principally in the "non-woven fabrics" industry in 2009 and 2008.

(2) Operations by Geographical Segment

Operations of the Group by geographical segment for the years ended March 31, 2009 and 2008, were as follows:

	Millions of Yen					Thousands of U.S. Dollars				
	2009					2009				
	Japan	North America	Asia	Eliminations	Consolidated	Japan	North America	Asia	Eliminations	Consolidated
Sales:										
Sales to customers	¥ 37,945	¥ 12,182	¥ 113		¥ 50,240	\$ 387,194	\$ 124,306	\$ 1,153		\$ 512,653
Intersegment sales	186		961	¥ (1,147)		1,898		9,806	\$ (11,704)	
Total sales	38,131	12,182	1,074	(1,147)	50,240	389,092	124,306	10,959	(11,704)	512,653
Operating cost and expenses	38,087	10,937	1,023	(1,131)	48,916	388,643	111,602	10,439	(11,541)	499,143
Operating income	¥ 44	¥ 1,245	¥ 51	¥ (16)	¥ 1,324	\$ 449	\$ 12,704	\$ 520	\$ (163)	\$ 13,510
Assets	¥ 46,218	¥ 5,560	¥ 972	¥ (130)	¥ 52,620	\$ 471,612	\$ 56,735	\$ 9,918	\$ (1,326)	\$ 536,939

	Millions of Yen				
	2008				
	<u>Japan</u>	<u>North America</u>	<u>Asia</u>	<u>Eliminations</u>	<u>Consolidated</u>
Sales:					
Sales to customers	¥ 43,547	¥ 15,339	¥ 135		¥ 59,021
Intersegment sales	<u>212</u>	<u>4</u>	<u>760</u>	¥ (976)	
Total sales	43,759	15,343	895	(976)	59,021
Operating cost and expenses	<u>41,976</u>	<u>13,307</u>	<u>843</u>	<u>(974)</u>	<u>55,152</u>
Operating income	<u>¥ 1,783</u>	<u>¥ 2,036</u>	<u>¥ 52</u>	<u>¥ (2)</u>	<u>¥ 3,869</u>
Assets	<u>¥ 47,811</u>	<u>¥ 6,987</u>	<u>¥ 1,108</u>	<u>¥ (117)</u>	<u>¥ 55,789</u>

Note: As discussed in Note 2, effective April 1, 2008, the Company applied ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." The effect of this change was to decrease operating income of Japan by ¥103 million (\$1,051 thousand) for the year ended March 31, 2009.

(3) Sales to Foreign Customers

Sales to foreign customers of the Group for the years ended March 31, 2009 and 2008, were as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2009				2009			
	<u>Asia</u>	<u>North America</u>	<u>Other</u>	<u>Total</u>	<u>Asia</u>	<u>North America</u>	<u>Other</u>	<u>Total</u>
Sales to foreign customers	¥ 4,454	¥ 12,396	¥ 335	¥ 17,185	\$ 45,449	\$ 126,490	\$ 3,418	\$ 175,357
Consolidated sales				50,240				512,653
Ratio of sales to foreign customers to consolidated sales				34.2%				34.2%
	Millions of Yen							
	2008							
	<u>Asia</u>	<u>North America</u>	<u>Other</u>	<u>Total</u>				
Sales to foreign customers	¥ 6,691	¥ 15,534	¥ 506	¥ 22,731				
Consolidated sales				59,021				
Ratio of sales to foreign customers to consolidated sales				38.5%				

19. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2009 was approved by the Company's Board of Directors held on May 15, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥6.0 (\$0.06) per share	¥ 389	\$ 3,969

* * * * *

Management Report on Internal Control

1. Basic Framework for Internal Control Over Financial Reporting

The President of Japan Vilene Company, Ltd., (the “Company”) Mitsuo Kanno, is responsible for designing and exercising internal control over the Company’s financial reporting, and does this in compliance with the basic framework for internal control provided for in “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Options)” issued by the Japan Business Accounting Council.

Internal control aims at achieving the objectives to a reasonable extent with the organized and integrated function of the basic individual components of internal control as a whole. Therefore, internal control over financial reporting cannot always be guaranteed to prevent or discover misstatements in the presentation of financial reporting.

2. Scope of Assessment, Assessment Dates and Assessment Procedures

The Company performed an assessment of internal control over financial reporting for its consolidated financial statements as of the end of the fiscal year, March 31, 2009, in accordance with generally accepted assessment standards in Japan for internal control over financial reporting.

We evaluated internal controls that materially affect overall consolidated financial reporting (Company-level controls). Based on these results, we selected specific business process to evaluate, analyzed the selected business process and determined internal control factors that materially affect the reliability of the financial reports. We evaluated the effectiveness of the internal controls by assessing design and operation conditions relating to internal control factors.

We determined the scope of assessment of internal controls over financial reporting from the perspective of their materiality to the reliability of financial reporting by the Company, its consolidated subsidiaries, and affiliated companies accounted for under the equity method. The materiality to the reliability of financial reporting is determined from quantitative and qualitative perspectives, and we reasonably determined the evaluation scope of process-level controls based on the results of an evaluation of company-level control, applied to the Company and eight consolidated subsidiaries. Four consolidated subsidiaries and six equity-method affiliates were determined to be immaterial from quantitative and qualitative perspectives. Therefore, they were excluded from the evaluation of company-level controls.

The scope of assessment of business process-level controls are the business locations/units, whose sales after elimination of inter-company transactions accounted for more than two-thirds of the sum of the consolidated sales recorded in the preceding fiscal year. These business locations/units were determined to be the “significant business locations/units” and two business locations/units were selected. At each selected business location/unit, business processes related to accounting items that have a material impact on corporate operational objectives, including sales, accounts receivable, and inventories were determined to be within the scope of assessment. Other than the selected significant business locations/units, we added to the scope of evaluation business processes relating to important accounting items that present a high possibility of material misstatements, estimates and forecasts, and business processes related to operations or businesses involved in high-risk transactions.

3. Assessment of Results

Based on the results of our assessment, we concluded that as of the end of fiscal year ended March 31, 2009, the internal controls of the Company over financial reporting of the consolidated financial statements were effectively maintained.



Mitsuo Kanno
President
Japan Vilene Company, Ltd.

Subsidiaries and Affiliates

Consolidated Subsidiaries

Oyama Chemical Co., Ltd.

Main business: Manufacture and sales of fiber materials for nonwoven products
295, Oaza Yokokura-Shinden, Oyama-shi, Tochigi 323-0819, Japan
TEL: +81-285-27-1511 FAX: +81-285-27-4529

Cumulass Co., Ltd.

Main business: Manufacture and sales of glass fiber nonwoven products
25, Kousai-Shinden, Fuji-shi, Shizuoka 417-0063, Japan
TEL: +81-545-51-2460 FAX: +81-545-53-1262

Japan VIAM Co., Ltd.

Main business: Manufacture and sales of car floor mats
1-11, Katsube 4-chome, Moriyama-shi, Shiga 524-0041, Japan
TEL: +81-77-581-0721 FAX: +81-77-581-0728

ViClean Co., Ltd.

Main business: Processing of air filter equipment
1-11, Katsube 4-chome, Moriyama-shi, Shiga 524-0041, Japan
TEL: +81-77-514-2670 FAX: +81-77-514-2673

Vilene Create Co., Ltd.

Main business: Sales of nonwoven products
Vilene Bldg., 14-5, Soto-Kanda 2-chome, Chiyoda-ku, Tokyo 101-0021, Japan
TEL: +81-3-3258-3348 FAX: +81-3-3258-3340
<http://www.vicre.co.jp/>

Pacific Giken Co., Ltd.

Main business: Processing of nonwoven products
1772-8, Yasu, Yasu-shi, Shiga 520-2342, Japan
TEL: +81-77-586-2977 FAX: +81-77-586-2988
<http://www.pgc-ltd.co.jp/>

VIS Co., Ltd.

Main business: Support services of Japan Vilene's business
Vilene Bldg., 14-5, Soto-Kanda 2-chome, Chiyoda-ku, Tokyo 101-0021, Japan
TEL: +81-3-3258-6307 FAX: +81-3-3258-6309

VIAM Manufacturing, Inc. (CA)

Main business: Manufacture and sales of car floor mats
9440 Norwalk Boulevard, Santa Fe Springs, CA 90670-1128, U.S.A.
TEL: +1-562-695-0651 FAX: +1-562-695-1043

VIAM Manufacturing, Inc. (TN)

Main business: Manufacture and sales of car floor mats
87 Park Tower Drive, Manchester, TN 37355, U.S.A.
TEL: +1-931-461-2300 FAX: +1-931-461-2334
<http://www.viammfg.com/>

Tianjin VIAM Automotive Products Co., Ltd.

Main business: Manufacture and sales of car floor mat
No.14, Saida Hui Ya Industrial Park, Xiqing Economic Development Area, Tianjin 300385, People's Republic of China
TEL: +86-22-2397-9798 FAX: +86-22-2397-9636

Affiliated Companies by Equity Method

Freudenberg Vitech Ltd. Partnership (MI)

Main business: Manufacture and sales of automotive headliners
Detroit Sales Office
47690 East Anchor Court Plymouth, MI 48170-2455, U.S.A.
TEL: +1-734-354-5400 FAX: +1-734-451-0125

Freudenberg Vitech Ltd. Partnership (KY)

Main business: Manufacture and sales of automotive headliners
2975 Pembroke Road, Hopkinsville, KY 42240-6802, U.S.A.
TEL: +1-270-886-0204 FAX: +1-270-890-0761

Freudenberg & Vilene International Ltd.

Main business: Sales of interlinings and other sewing materials for apparel
8th Floor, Loyal Center, 828 Cheung Sha Wan Road, Kowloon, Hong Kong
TEL: +852-2786-8368 FAX: +852-2744-1709

Freudenberg & Vilene Nonwovens (Suzhou) Co., Ltd.

Main business: Manufacture and sales of nonwoven products
1588 Bin He Road, Suzhou 215011, People's Republic of China
TEL: +86-512-6825-1586 FAX: +86-512-6825-1780

Freudenberg & Vilene Filter (Changchun) Co., Ltd.

Main business: Manufacture and sales of automotive filters
No.3315 Kunshan Road, Economic & Technical Development Zone, Changchun 130033, People's Republic of China
TEL: +86-431-461-2319 FAX: +86-431-461-2320

Freudenberg & Vilene Interlinings (Nantong) Co., Ltd.

Main business: Manufacture and sales of woven interlinings for apparel
40 Yaogang Road, Nantong 226006, Jiangsu, People's Republic of China
TEL: +86-513-8351-6386 FAX: +86-513-8351-3512

Freudenberg & Vilene Nonwovens (Taiwan) Co., Ltd.

Main business: Manufacture and sales of nonwovens
No.40, Min-Fu Road, Section 2, Yang-Mei, Tao-Yuan, Taiwan, R.O.C.
TEL: +886-3-478-1261~3 FAX: +886-3-478-1260

Korea Vilene Co., Ltd.

Main business: Manufacture and sales of nonwovens
17th Floor, Kyungam Bldg., 157-27, Samsung-dong, Kangnam-ku, Seoul, Republic of Korea
TEL: +82-2-2185-0104 FAX: +82-2-2185-0110~2
<http://www.kvilene.co.kr/>

Korea Filtration Technologies Co., Ltd.

Main business: Manufacture, processing and sales of filters
417-7, Tojin-ri, Cheongbuk-myeon, Pyeongtaek-si, Gyeonggi-do, Republic of Korea
TEL: +82-31-683-6814 FAX: +82-31-683-6804

Freudenberg & Vilene Filter (Thailand) Co., Ltd.

Main business: Manufacture, processing and sales of filters in ASEAN
Amata Nakorn Industrial Estate Phase 4 700/427 Moo 7, Tambol Don Hua Roh, Amphur Muang, Chonburi 20000, Thailand
TEL: +66-38-453-214 FAX: +66-38-453-217

Other Affiliates

Shinwa Products Co., Ltd.

Main business: Processing of air filter equipment
433-11, Oaza-Tsuzuranuki-Aza-Nakao, Moroyama-machi, Iruma-gun, Saitama 350-0445, Japan
TEL: +81-49-295-1565 FAX: +81-49-295-1779

Hikotomi Industrial Co., Ltd.

Main business: Manufacture and sales of nonwoven products
771, Hikotomi-cho, Hikone-shi, Shiga 521-1114, Japan
TEL: +81-749-43-6597 FAX: +81-749-43-6900

Corporate Data

(As of March 31, 2009)

Date of Establishment: June 1, 1960

Number of Employees: 1,618 (Consolidated)

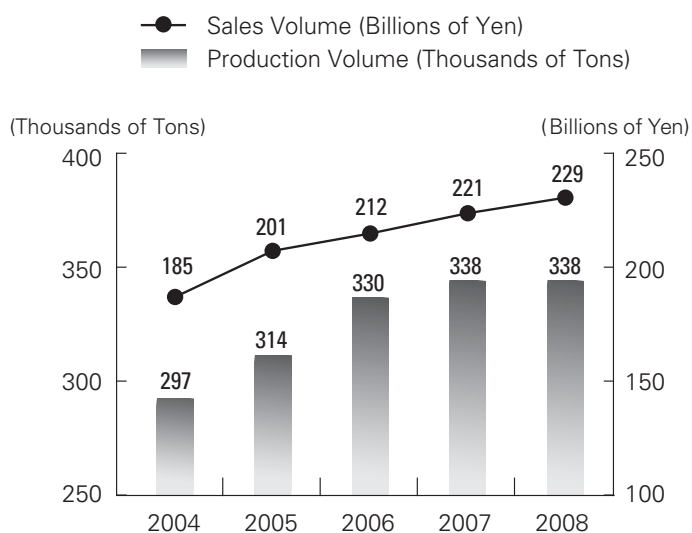
Head Office: Vilene Bldg., 14-5, Soto-Kanda 2-chome, Chiyoda-ku, Tokyo 101-8614, Japan
TEL: +81-3-3258-3333 FAX: +81-3-3258-3325

Branches, Factories, Laboratory and Representative Offices:

Osaka Branch	Osaka DIC Bldg., 5-19, Kyutaro-machi 3-chome, Chuo-ku, Osaka-shi, Osaka 541-0056, Japan TEL: +81-6-6120-3200 FAX: +81-6-6120-3221
Nagoya Branch	NUP Fushimi Bldg., 2-12, Sakae 2-chome, Naka-ku, Nagoya-shi, Aichi 460-0008, Japan TEL: +81-52-203-1461 FAX: +81-52-203-1570
Shiga Factory	1-11, Katsube 4-chome, Moriyama-shi, Shiga 524-0041, Japan TEL: +81-77-583-2512 FAX: +81-77-582-5599
Tokyo Factory	7, Kita-tone, Koga-shi, Ibaraki 306-0213, Japan TEL: +81-280-92-1521 FAX: +81-280-92-2079
Central Research Laboratory	7, Kita-tone, Koga-shi, Ibaraki 306-0213, Japan TEL: +81-280-92-7271 FAX: +81-280-92-7823
Shanghai Representative Office	Rm. 1808, Bldg. A, Far East International Plaza, 319 Xian Xia Road, Shanghai 200051, People's Republic of China TEL: +86-21-6235-1013 FAX: +86-21-6235-1007

Market Data

Domestic Nonwoven Production



Source: All Nippon Nonwovens Association (ANNA)

Top Global Companies : Nonwovens Sales (Roll Goods Only)

Ranking in 2007	Company	Nonwovens Sales in 2007 (Millions of U.S. Dollars)	Ranking in 2006
1	Freudenberg (Germany)	1,450	1
2	DuPont (USA)	1,350	2
3	Kimberly-Clark (USA)	1,300	3
4	Ahlstrom (Finland)	1,280	6
5	PGI (USA)	1,060	5
6	Fiberweb (UK)	948	4
7	Johns Manville (USA)	670	7
8	Fibertex (Denmark)	294	12
9	Buckeye (USA)	260	8
10	First Quality (USA)	250	-
16	Propex (USA)	210	9
17	Colbond (Holland)	195	15
18	Japan Vilene (Japan)	194	16
19	Vita Nonwovens (UK)	190	18
20	Sandler (Germany)	171	23

Source: Nonwovens Industry, September 2008

Investor Information

(As of March 31, 2009)

Common stock:

¥9,816,126,973

Number of Shares Issued:

65,140,945 shares

Stock Listing:

Tokyo Stock Exchange, First Section

Number of Shareholders:

5,347

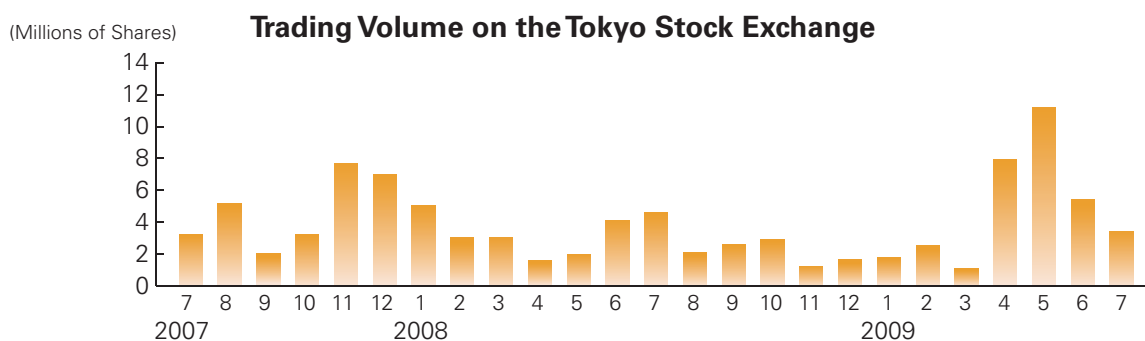
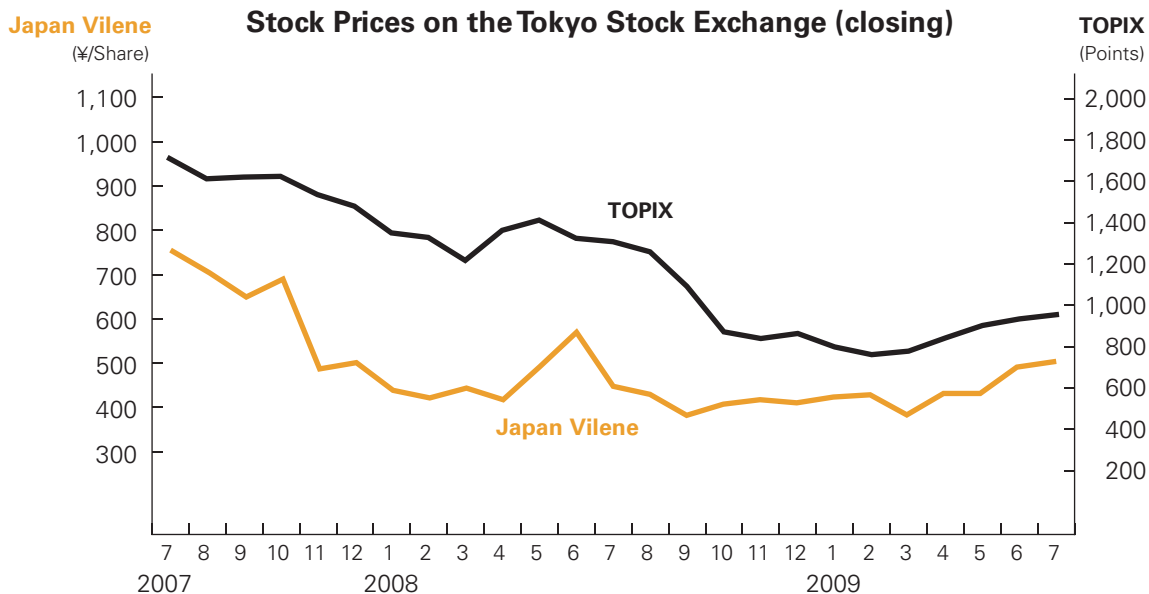
Shareholder Registry Administrator:

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-0014, Japan

Major Shareholders

	Numbers of shares owned (Thousands of shares)	Percentage of total shares issued (%)
Freudenberg Beteiligungs GmbH	16,347	25.10
DIC Corporation*	14,849	22.80
Toray Industries, Incorporated	7,242	11.12
UBS AG London Asia Equities	2,425	3.72
Japan Trustee Services Bank (Trust Account)	1,404	2.16
Japan Trustee Services Bank (Trust Account 4G)	1,256	1.93
Japan Vilene Shareholdings' Association	1,157	1.78
Japan Master Trust Bank (Trust Account)	1,137	1.75
Nissei Real Estate Company Limited	1,000	1.54
Japan Vilene Employees' Stockholdings	900	1.38

* Dainippon Ink and Chemicals, Incorporated changed its name to DIC Corporation on April 1, 2008



Japan Vilene Company, Ltd.

Vilene Bldg., 14-5, Soto-Kanda 2-chome, Chiyoda-ku, Tokyo 101-8614, Japan

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<http://www.vilene.co.jp/>



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