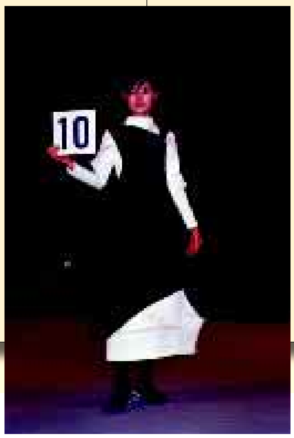
Our COMFORT PROPOSAL direct marketing business offers a broad range of quality products

Textiles

In fiscal 1999, ended March 31, 1999, the Japanese textile industry faced an extremely difficult business environment, due mainly to a sharp drop in consumer spending and depressed selling prices.

In response, the Textile Division accelerated its efforts to develop new products and intensify sales activities, and sought to reduce inventory and cut production, sales and general administrative costs.

Despite these efforts, lower selling prices and a drop in production volume, raising unit costs, adversely affected the Textile Division's performance. Sales of the Textile Division totaled ¥81,786 million (US$682 million), down 7.6% from fiscal 1998 and accounting for 50.3% of total sales, down 1.6 percentage points. Domestic sales decreased 6.4% to ¥73,158 million (US$610 million), and export sales were down 16.2% to ¥8,627 million (US$72 million).



Entry at Annual Nisshinbo Fashion Contest

Domestic sales of yarns, knitted products, and household textiles were generally weak due to lower consumer spending. However, sales of specialty yarns, originally-developed yarns, and knitted products targeting young consumers and children showed some growth. Export sales of lightweight textiles were strong in the first half as we took advantage of a depreciation of the yen. They decreased in the second half as the yen appreciated and demand in the U.S. and Europe consequently weakened. Sales of materials for shirts, casual wear and uniforms were also low due to depressed demand, but sales of SSP shirt materials remained at the same level as that of fiscal 1998. *SUPER SOFT* materials for casual wear showed steady sales growth.

Demand for basic blue denim was weak globally, but sales of *SUPER SOFT* denim held up, so our total sales in this segment decreased only slightly.

Domestic and overseas sales of *MOBILON* spandex for panty hose were weak, though there was an upturn in

Japan toward the end of fiscal 1999. Domestic sales of woven textiles and sales of stretch textiles in the U.S. and European markets increased. Overall sales in this segment increased slightly.

We expanded the range of applications of *OIKOS* non-woven all-cotton fabrics in the fields of household goods and medical materials, including sanitary materials, wet towels, gauze materials and operating gowns. We met a steady rise in demand for *OIKOS* in the agricultural materials field, such as for seedbeds.

We ran a strong 10th anniversary sales campaign for *COMFORT PROPOSAL*, our direct marketing business, and sales increased as a result. Steady sales of our original *SUPER SOFT* yarns products also contributed to the *COMFORT PROPOSAL* results.

Non-textiles

Sales of the Non-textiles Division, adversely affected by continued recession in Japan, totaled ¥80,876 million (US$674 million), down 1.2% from fiscal 1998. The ratio of non-textiles to total sales was 49.7%, up 1.6 percentage points. Sales of ABS and household paper increased. Export sales of automobile brakes and machine tools also increased, contributing to a 19.0% increase in total export sales to ¥6,298 million (US$52 million).

Our disc brakes are renowned for their quality

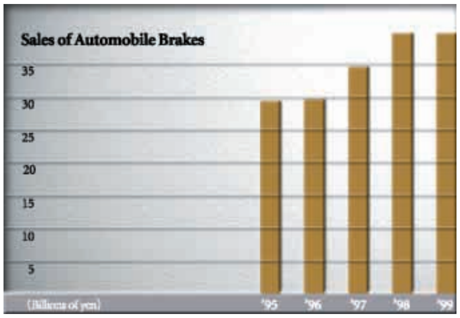
Automobile Brakes

Sales of automobile brakes, at ¥39,565 million (US$330 million), were almost the same as for fiscal 1998. Sales of ABS and exports increased, but these gains were offset by the effects of reduced domestic automobile production.

Sales of friction materials and foundation brakes decreased, as did profit, reflecting the difficult conditions in the industry.

Sales of ABS increased 10.0% to ¥14,777 million (US$123 million), helped by the greater usage of ABS generally and an increase in the number of car models fitted with our ABS. However, intensifying price competition led to lower profit.

Our ABS is fitted in the Honda CAPA (©Honda Motor Co., Ltd.)

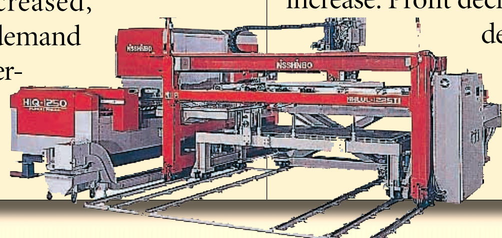


Machine Tools

We increased export sales of machine tools, mainly to the U.S. and European markets. However, domestic sales decreased due to a reduction in capital investment on the part of our major client industries. Sales of machine tools decreased 9.2% to ¥7,565 million (US$63 million).

In the customized machine tool field, delayed capital investment by the automobile industry, one of our major client industries, resulted in lower sales and profit.

Domestic demand for general-purpose machine tools was sluggish, reflecting the recession in the domestic economy. However, exports increased, helped by strong demand in the U.S., and overall sales were up.



Our CNC turret punch cell

Chemical Products

Sales of chemical products fell 12.5% to ¥10,008 million (US$83 million), affected by weakness in the construction and automobiles industries, our major client industries.

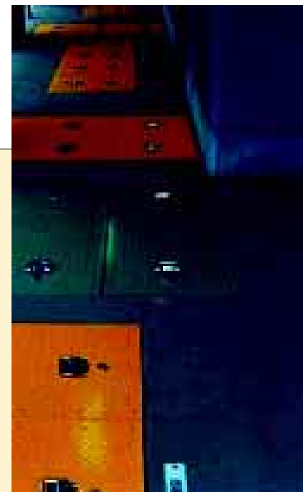
Polyurethane foams, our major line in this sector, faced stagnant demand and both sales and profit decreased.

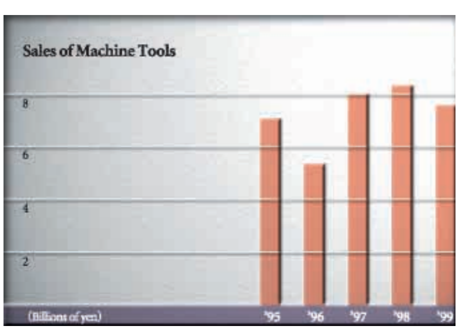
We increased our production capacity for polyurethane elastomers in the second half of fiscal 1999 in response to an increase in demand, and sales showed a modest increase. Profit decreased due to a rise in depreciation costs.

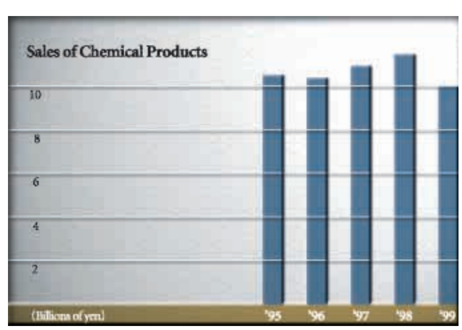
We faced an adverse business environment for carbon products as demand in the semiconductor industry, our major client industry, fell. We responded by developing new applications and creating new markets, and sales held up as a consequence. Profit decreased due to a drop in selling prices.

In November 1998, we completed construction of the Chiba Plant's No. 2 production line for polyurethane foams, and the line started operations in March 1999. Also in March 1999, we completed construction of a building for the No. 3 production line, intended to further enhance our overall polyurethane foams production capacity. In November 1998, we completed construction of

We've got it covered. AIRLITE-FRU *high-strength, corrosion-resistant glass fiber-reinforced polyurethane foam*







FLEUVE, *newly-developed, high-quality fine paper*

the Tokushima Plant's No. 2 production line for polyurethane elastomers.

Papers

Sales of papers increased 4.7% to ¥20,131 million (US$168 million).

In the household papers field, sales of roll products, such as toilet paper and kitchen towels, made from both pulp paper and recycled paper, grew steadily. Their selling prices rose toward the end of fiscal 1999, compared with mid-fiscal 1999, leading to increases in both sales and profit.

Sales of fine papers decreased and prices were low, reflecting both the economic recession and intensified competition. Sales and profit were down substantially.

We developed new applications for synthetic papers and made determined and successful efforts to expand sales. However, excessive development costs affected profit, which was almost the same as for fiscal 1998.

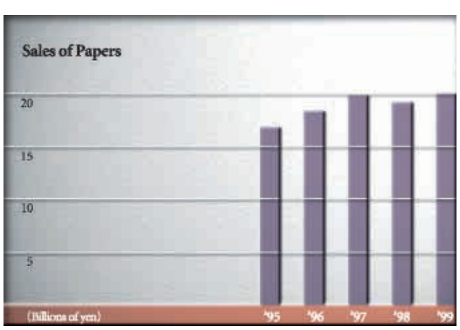
In the label printing field, sales of existing products remained weak. Sales of new products for a card application increased, contributing to slight increases in both sales and profit.

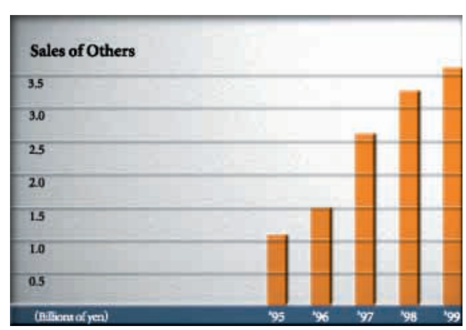
Others

Sales of this sector totaled ¥3,608 million (US$30 million), an increase of 10.9% over fiscal 1998. Sales broke down as follows: Real estate leasing ¥2,435 million (US$20 million), Computer Color Matching (CCM) systems (CHOSHOKU-SENKA) and other products ¥1,173 million (US$10 million).

In the real estate leasing sector, construction by the lessee of a shopping center on the land previously occupied by factory ancillary facilities on the site of the Shimada Plant was completed in March 1999. At Tosaki, the planning stage has been completed for a new department store and shopping mall for the lessee. These are scheduled to be integrated into the existing shopping center there in October 2000. At Tokushima, we plan to sell a parcel of unused land to the local government. We are also planning to lease another parcel of land at the same location to a shopping center.

Open for business, the new shopping center within the Shimada Plant site





Non-Consolidated Operating Results

On a non-consolidated basis, net sales for fiscal 1999, ended 31st March, 1999, totaled ¥162,662 million (US$1,356 million), a decrease of 4.5% from fiscal 1998.

During fiscal 1999, the Textile Division faced a difficult business environment due to continuing weak consumer spending and sluggish market conditions, and profit was down substantially. Textile sales amounted to ¥81,786 million (US$682 million), a decrease of 7.6% from fiscal 1998 and accounting for 50.3% of total sales, down 1.6 percentage points. Non-textile sales totaled ¥80,876 million (US$674 million), a decrease of 1.2% from fiscal 1998 and accounting for 49.7% of total sales, up 1.6 percentage points. Sales were down for most products, with these decreases owing to weak demand due to the stagnant economy, and profit was down as a result*.

Cost of sales decreased 3.6% to ¥145,480 million (US$1,212 million). The ratio of cost of sales to net sales increased 0.8 percentage points to 89.4%. Selling, general and administrative expenses increased 1.1% to ¥16,530 million (US$138 million). Despite a 4.5% drop in net sales, costs and expenses decreased only 3.2% to ¥162,010 million (US$1,350 million), resulting in a 78.5% decrease in operating income to ¥652 million (US$5 million).

Gain on sales of securities amounted to ¥9,153 million (US$76 million). There was a loss of ¥5,422 million (US$45 million) on devaluation of securities, which included an amount of ¥4,631 million (US$39 million) on equity in Nisshinbo California Inc., a joint venture textile subsidiary in the U.S. that performed poorly. As a result, other income (net) increased 493.6% to ¥3,336 million (US$28 million). Income before income taxes was ¥3,988 million (US$33 million), an increase of 10.8%. Income taxes amounted to ¥2,050 million (US$17 million). Consequently, net income was ¥1,938 million (US$16 million), an increase of 7.2% over fiscal 1998. Net income per share was ¥8.19 (US$0.07), up ¥0.55 (US$0.005). Return on equity increased 0.1 percentage point to 1.2%.

The total dividend per share for fiscal 1999 was ¥7.00 (US$0.06), the same as for fiscal 1998. Cash dividends totaled ¥1,656 million (US$14 million), representing a payout ratio of 85.4%, down 6.2 percentage points. Nisshinbo's basic policy to maintain dividends at a stable level remains unchanged.

* For details of divisional results, please see "Review of Operations."

Non-Consolidated Financial Position

Total assets as of 31st March, 1999 stood at ¥273,693 million (US$2,281 million), up 9.6% over fiscal 1998. Despite an increase in time deposits, current assets decreased 4.4% to ¥124,602 million (US$1,038 million), due to a decline in marketable securities, accounts receivable trade, receivables from subsidiaries and affiliates, and inventory. The decreases in accounts receivable trade, and receivables from subsidiaries and affiliates was due mainly to sales of such receivables. Property, plant and equipment increased 0.4% to ¥78,214 million (US$652 million). Investments and other assets increased 70.5% to ¥70,877 million (US$591 million). This rise was due mainly to increases in investment securities, up ¥7,634 million (US$64 million), investments in and advances to subsidiaries and affiliates, up ¥8,976 million (US$75 million), and accounts receivable for the sale of the land of Tokyo Plant, ¥12,666 million (US$106 million).

Although the current portion of long-term debt decreased, owing to the maturing of convertible bonds, current liabilities increased 2.6% to ¥58,188 million (US$485 million). This increase was due mainly to a rise in short-term bank loans. Long-term liabilities increased 84.8% to ¥48,335 million (US$403 million), due mainly to an increase in other long-term liabilities arising from the method used to account for the proceeds from the sale of the land of Tokyo Plant.

Total current and long-term liabilities amounted to ¥106,523 million (US$888 million), up 28.5%. Shareholders' equity was ¥167,170 million (US$1,393 million), up 0.1%. Shareholders' equity ratio was 61.1%, down 5.7 percentage points. Shareholders' equity per share was ¥707.02 (US$5.89), an increase of ¥0.94 (US$0.008).

Consolidated Results

On a consolidated basis, net sales for fiscal 1999 totaled ¥226,800 million (US$1,890 million), down 5.6% from fiscal 1998 and representing 1.39 times the non-consolidated figure, lower than the 1.41 recorded for fiscal 1998. Textile sales decreased 8.8% to ¥90,218 million (US$752 million). This was due to weak consumer spending and generally adverse market conditions, the same as for the non-consolidated results. Sales of automobile brakes increased 0.4% to ¥39,998 million (US$333 million) due to an increase in sales of ABS products. Sales of papers totaled ¥26,933 million (US$224 million), an increase of 4.0%, due mainly to a recovery in the market for household papers. Real estate sales totaled ¥3,617 million (US$30 million), down 0.1% from fiscal 1998. Sales of other businesses** decreased 8.2% to ¥66,033 million (US$550 million), due to the negative impact of the ongoing recession. The ratios of textile, automobile brake, paper, real estate, and other sales to total sales were 39.8%, 17.6%, 11.9%, 1.6% and 29.1%, respectively.

Operating income was ¥373 million (US$3 million), down 90.6% and representing 0.57 times the non-consolidated figure, compared to the 1.31 figure recorded for fiscal 1998. Both the Company and its subsidiaries had poor results. Other income (net) totaled ¥8,231 million (US$69 million), due mainly to gain on sales of securities of ¥9,220 million (US$77 million).

As a result, net income was ¥4,161 million (US$35 million), an increase of 282.8% and representing 2.15 times the non-consolidated figure. Net income per share was ¥17.60 (US$0.15). Return on equity on a consolidated basis increased 1.6 percentage points to 2.1%.

** Other businesses include mechatronics, chemical products, electronic equipment, and other businesses.

Six-Year Summary

(millions of yen)

	1994	1995	1996	1997	1998	1999
Non-Consolidated:						
Net Sales	162,410	166,194	155,360	167,272	170,318	162,662
Operating Income	2,317	4,721	910	3,137	3,036	652
Net Income	2,934	3,067	3,723	1,968	1,808	1,938
Shareholders' Equity	162,442	163,897	165,905	166,163	166,948	167,170
Total Assets	263,903	267,791	248,481	250,419	249,829	273,693
Shareholders' Equity Ratio (%)	61.6	61.2	66.8	66.4	66.8	61.1
Return on Equity (%)	1.8	1.9	2.2	1.2	1.1	1.2
Capital Investment	10,389	16,023	17,252	10,071	10,502	16,350
Depreciation	11,420	11,416	12,143	11,281	10,957	10,562
Per Share (in yen):						
Net Income	12.42	12.97	15.75	8.32	7.64	8.19
Shareholders' Equity	687.33	693.19	701.68	702.76	706.08	707.02
Cash Dividends	7.00	7.00	7.00	7.00	7.00	7.00
Number of Employees	6,134	6,051	5,445	5,145	5,102	4,935
Consolidated:						
Net Sales	219,870	224,269	216,721	234,268	240,249	226,800
Operating Income	4,252	5,250	1,100	4,541	3,989	373
Net Income	3,924	1,708	2,195	2,359	1,087	4,161
Shareholders' Equity	194,412	197,509	198,139	198,758	199,373	200,779
Total Assets	328,881	345,886	325,754	328,427	329,102	359,390