

# Non-Consolidated Balance Sheets

31st March, 1999 and 1998

ASSETS	(millions of yen)		(thousands of US dollars) (Note 1)
	1999	1998	1999
<b>Current assets:</b>			
Cash and cash equivalents			
Cash.....	¥ 1,229	¥ 1,448	\$ 10,242
Time deposits.....	29,007	21,008	241,725
	30,236	22,456	251,967
Marketable securities (Note 4) .....	12,027	13,796	100,225
Receivables			
Notes receivable, trade .....	4,743	4,742	39,525
Accounts receivable, trade .....	16,953	19,692	141,275
Subsidiaries and affiliates .....	19,851	25,616	165,425
Other .....	814	621	6,783
	42,361	50,671	353,008
Less allowance for doubtful accounts.....	(308)	(507)	(2,567)
	42,053	50,164	350,441
Inventories (Note 3).....	39,888	43,514	332,400
Other current assets .....	398	445	3,317
Total current assets .....	124,602	130,375	1,038,350
<b>Property, plant and equipment:</b>			
Land .....	8,048	7,791	67,066
Buildings and structures .....	71,000	68,361	591,667
Machinery, equipment and tools .....	168,744	164,522	1,406,200
Construction in progress .....	1,327	613	11,058
	249,119	241,287	2,075,991
Less accumulated depreciation .....	(170,905)	(163,393)	(1,424,208)
	78,214	77,894	651,783
<b>Investments and other assets:</b>			
Investment securities (Note 4) .....	23,317	15,683	194,308
Investments in and advances to subsidiaries and affiliates (Note 4).....	33,920	24,944	282,667
Other .....	13,640	933	113,667
	70,877	41,560	590,642
	¥ 273,693	¥ 249,829	\$ 2,280,775

See Notes to Non-Consolidated Financial Statements.

## LIABILITIES AND SHAREHOLDERS' EQUITY

	(millions of yen)		(thousands of US dollars) (Note 1)
	1999	1998	1999
<b>Current liabilities:</b>			
Short-term bank loans (Note 5) .....	¥ 35,440	¥ 10,240	\$ 295,334
Current portion of long-term debt (Note 5) .....	177	25,489	1,475
Payables			
Accounts payable, trade.....	6,577	6,864	54,808
Subsidiaries and affiliates .....	2,219	2,258	18,492
Other.....	5,068	2,690	42,233
	13,864	11,812	115,533
Employees' savings deposits .....	4,576	4,849	38,133
Accrued expenses .....	2,481	2,441	20,675
Accrued income taxes (Note 7) .....	1,253	1,576	10,442
Other current liabilities.....	397	320	3,308
Total current liabilities .....	58,188	56,727	484,900
<b>Long-term liabilities:</b>			
Long-term debt (Note 5) .....	175	352	1,458
Accrued severance benefits (Note 6) .....	18,076	17,655	150,634
Other long-term liabilities .....	30,084	8,147	250,700
	48,335	26,154	402,792
<b>Commitments and contingencies (Note 11)</b>			
<b>Shareholders' equity (Notes 9 and 12):</b>			
Common stock:			
Authorised — 400,000,000 shares			
Issued with par value of ¥50 per share —			
236,443,939 shares .....	27,588	27,588	229,900
Additional paid-in capital.....	20,401	20,401	170,008
Legal reserve .....	6,897	6,897	57,475
Retained earnings .....	112,284	112,062	935,700
	167,170	166,948	1,393,083
	¥ 273,693	¥ 249,829	\$ 2,280,775

# Non-Consolidated Statements of Income

Years ended 31st March, 1999 and 1998

	(millions of yen)		(thousands of US dollars) (Note 1)
	1999	1998	1999
<b>Net sales</b> .....	¥ 162,662	¥ 170,318	\$ 1,355,516
<b>Costs and expenses:</b>			
Cost of sales .....	145,480	150,925	1,212,333
Selling, general and administrative expenses.....	<u>16,530</u>	<u>16,357</u>	<u>137,750</u>
	<u>162,010</u>	<u>167,282</u>	<u>1,350,083</u>
<b>Operating income</b> .....	652	3,036	5,433
<b>Other income (expenses):</b>			
Interest and dividend income .....	2,300	2,286	19,167
Interest expenses .....	(732)	(650)	(6,100)
Other, net (Note 10) .....	<u>1,768</u>	<u>(1,074)</u>	<u>14,733</u>
	<u>3,336</u>	<u>562</u>	<u>27,800</u>
<b>Income before income taxes</b> .....	3,988	3,598	33,233
<b>Income taxes (Note 7)</b> .....	<u>2,050</u>	<u>1,790</u>	<u>17,083</u>
<b>Net income</b> .....	<u>¥ 1,938</u>	<u>¥ 1,808</u>	<u>\$ 16,150</u>
	(yen)		(US dollars)
<b>Per share:</b>			
Net income .....	¥ 8.19	¥ 7.64	\$ 0.07
Cash dividends .....	7.00	7.00	0.06

See Notes to Non-Consolidated Financial Statements.

# Non-Consolidated Statements of Shareholders' Equity

Years ended 31st March, 1999 and 1998

	(millions of yen)		(thousands of US dollars) (Note 1)
	1999	1998	1999
<b>Common stock:</b>			
Balance at beginning of year (1999 and 1998 — 236,443,939 shares) .....	¥ 27,588	¥ 27,588	\$ 229,900
Balance at end of year (1999 and 1998 — 236,443,939 shares) .....	<u>¥ 27,588</u>	<u>¥ 27,588</u>	<u>\$ 229,900</u>
<b>Additional paid-in capital:</b>			
Balance at beginning of year .....	¥ 20,401	¥ 19,709	\$ 170,008
Add:			
Business acquisition .....	—	692	—
Balance at end of year .....	<u>¥ 20,401</u>	<u>¥ 20,401</u>	<u>\$ 170,008</u>
<b>Legal reserve:</b>			
Balance at beginning of year .....	¥ 6,897	¥ 6,897	\$ 57,475
Balance at end of year .....	<u>¥ 6,897</u>	<u>¥ 6,897</u>	<u>\$ 57,475</u>
<b>Retained earnings:</b>			
Balance at beginning of year .....	¥ 112,062	¥ 111,969	\$ 933,850
Add:			
Net income .....	1,938	1,808	16,150
Deduct:			
Cash dividends .....	(1,656)	(1,655)	(13,800)
Directors' bonuses .....	(60)	(60)	(500)
Balance at end of year .....	<u>¥ 112,284</u>	<u>¥ 112,062</u>	<u>\$ 935,700</u>

See Notes to Non-Consolidated Financial Statements.

# Non-Consolidated Statements of Cash Flows

Years ended 31st March, 1999 and 1998

	(millions of yen)		(thousands of US dollars)
	1999	1998	(Note 1) 1999
<b>Cash flows from operating activities:</b>			
Net income .....	¥ 1,938	¥ 1,808	\$ 16,150
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation .....	10,562	10,957	88,016
Provision for severance benefits .....	1,479	1,542	12,325
Payment of severance benefits .....	(1,058)	(728)	(8,817)
(Gain) loss on sale of property, plant and equipment .....	(9)	362	(75)
Gain on sale of marketable securities .....	(1,779)	(925)	(14,825)
(Gain) loss on sale of investment securities .....	(7,374)	79	(61,450)
Write-down of marketable securities and investment securities .....	5,422	1,114	45,183
Changes in operating assets and liabilities:			
Receivables .....	8,310	(1,411)	69,250
Inventories .....	3,626	(2,540)	30,217
Other current assets .....	47	(127)	392
Payables .....	(485)	(622)	(4,042)
Employees' savings deposits .....	(273)	(763)	(2,275)
Accrued expenses .....	40	(34)	333
Accrued income taxes .....	(323)	(64)	(2,692)
Other current liabilities .....	77	(31)	642
Other, net .....	475	95	3,959
Net cash provided by operating activities	<u>20,675</u>	<u>8,712</u>	<u>172,291</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of property, plant and equipment .....	14,295	58	119,125
Proceeds from sale of marketable securities .....	180,126	144,820	1,501,050
Proceeds from sale of investment securities and investments in and advances to subsidiaries and affiliates .....	7,750	—	64,583
Payment for purchase of property, plant and equipment .....	(13,813)	(10,502)	(115,108)
Payment for purchase of marketable securities .....	(176,094)	(139,330)	(1,467,450)
Payment for purchase of investment securities and investments in and advances to subsidiaries and affiliates .....	(22,892)	(3,430)	(190,767)
Business acquisition .....	—	447	—
Other, net .....	(214)	160	(1,783)
Net cash used in investing activities	<u>(10,842)</u>	<u>(7,777)</u>	<u>(90,350)</u>
<b>Cash flows from financing activities:</b>			
Repayment of long-term debt .....	(25,489)	(703)	(212,408)
Increase (decrease) in other long-term liabilities .....	(48)	46	(400)
Increase (decrease) in short-term bank loans .....	25,200	(20)	210,000
Cash dividends paid .....	(1,656)	(1,655)	(13,800)
Directors' bonuses paid .....	(60)	(60)	(500)
Net cash used in financing activities	<u>(2,053)</u>	<u>(2,392)</u>	<u>(17,108)</u>
<b>Net increase (decrease) in cash and cash equivalents</b> .....	7,780	(1,457)	64,833
<b>Cash and cash equivalents at beginning of year</b> .....	22,456	23,913	187,134
<b>Cash and cash equivalents at end of year</b> .....	<u>¥ 30,236</u>	<u>¥ 22,456</u>	<u>\$ 251,967</u>
<b>Cash paid during the year for:</b>			
Interest .....	¥ 704	¥ 650	\$ 5,867
Income taxes .....	1,766	1,435	14,717
<b>Noncash investing and financing activities :</b>			
Assets acquired by incurring accounts payable .....	¥ 2,537	¥ —	\$ 21,142

See Notes to Non-Consolidated Financial Statements.

## Notes to Non-Consolidated Financial Statements

### 1. BASIS OF PRESENTING FINANCIAL STATEMENTS:

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations and in conformity with generally accepted accounting principles and practices in Japan.

In preparing these financial statements, however, certain reclassifications have been made to the financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan.

A statement of cash flows is not required for domestic reporting purposes but is presented herein for the readers' convenience.

In addition, the accompanying footnotes include information which is not required under generally accepted accounting principles and practices in Japan but is presented herein as additional information.

The United States dollar (\$) amounts included herein are given solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥120 = \$1, the approximate exchange rate at 31st March, 1999. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into United States dollars.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### (a) Foreign currency transactions

Short-term receivables and payables in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheet dates. Investments in and advances to subsidiaries and affiliates and long-term debt in foreign currencies are translated at the historical rates effective at the dates of transaction from which such accounts were originated.

#### (b) Cash and cash equivalents

In reporting cash flows, the Company considers cash and time deposits with maturities of one year or less to be cash and cash equivalents. Such time deposits may be withdrawn on demand without diminution of principal.

#### (c) Investments

Current and non-current portfolios of marketable debt and equity securities are stated at the lower of cost or market. Other investments are stated at cost.

#### (d) Inventories

Inventories are stated at the lower of cost or market, cost being determined by the average cost method.

#### (e) Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is computed principally on the declining balance method over their estimated useful lives.

#### (f) Accrued severance benefits

The annual provision for severance payments is calculated to state the liability at the amount that would be required if all employees eligible for severance payments should terminate their employment at the balance sheet date, less amounts funded. Such provision includes those for directors and statutory auditors of the Company. Normal and prior service costs of the Company's non-contributory pension plan are charged to income and funded currently.

#### (g) Income taxes

Income taxes are provided for amounts currently payable for each fiscal year. No tax effect of temporary differences between tax and financial reporting purposes is recognised.

### 3. INVENTORIES:

Inventories at 31st March, 1999 and 1998 were as follows:

	(millions of yen)		(thousands of US dollars)
	1999	1998	1999
Finished products.....	¥ 27,497	¥ 31,042	\$ 229,142
Work in process.....	5,255	5,936	43,792
Materials and supplies .....	7,136	6,536	59,466
	<u>¥ 39,888</u>	<u>¥ 43,514</u>	<u>\$ 332,400</u>

#### 4. MARKETABLE EQUITY SECURITIES:

At 31st March, 1999 and 1998, the aggregate cost and market value of current and non-current portfolios of marketable equity securities included in marketable securities, investment securities and investments in subsidiaries and affiliates were summarised as follows:

	(millions of yen)		(thousands of US dollars)
	1999	1998	1999
Current portfolios:			
Cost and carrying amount .....	¥ 12,027	¥ 12,802	\$ 100,225
Market value .....	41,674	47,098	347,283
Non-current portfolios:			
Cost and carrying amount .....	36,612	21,396	305,100
Market value .....	126,523	128,945	1,054,358

#### 5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT:

Short-term bank loans at 31st March, 1999 and 1998 were represented substantially by notes issued by the Company to banks, generally due in 365 days. The annual interest rates applicable to the short-term bank loans at 31st March, 1999 and 1998 were 0.7% to 1.6%.

Long-term debt at 31st March, 1999 and 1998 consisted of the following:

	(millions of yen)		(thousands of US dollars)
	1999	1998	1999
Long-term debt with collateral:			
4.65% loan from a bank, maturing serially to 2002 .....	¥ 245	¥ 315	\$ 2,042
Non-interest bearing loan from a governmental institute maturing serially to 1999 .....	107	214	891
Long-term debt without collateral:			
1.7% convertible bonds, convertible into common stock at ¥1,800.50, due in 1999 .....	—	25,312	—
	352	25,841	2,933
Less current portion .....	(177)	(25,489)	(1,475)
	¥ 175	¥ 352	\$ 1,458

Annual maturities of long-term debt were as follows:

Year ending 31st March,	(millions of yen)	(thousands of US dollars)
2000.....	¥ 177	\$ 1,475
2001.....	70	583
2002.....	70	583
2003.....	35	292
	¥ 352	\$ 2,933

At 31st March, 1999 and 1998, net book value of assets pledged as collateral for long-term loans from a bank and a governmental institute was as follows:

	(millions of yen)		(thousands of US dollars)
	1999	1998	1999
Property, plant and equipment .....	¥ 3	¥ 3	\$ 25
Investment securities .....	85	79	708
	<u>¥ 88</u>	<u>¥ 82</u>	<u>\$ 733</u>

#### 6. RETIREMENT AND PENSION PLANS:

Under most circumstances, employees terminating their employment are entitled to lump-sum severance payments based on the rate of pay at termination, years of service and certain other factors.

Provisions for severance payments charged to income for the years ended 31st March, 1999 and 1998 were ¥1,479 million (\$12,325 thousand) and ¥1,542 million, respectively.

In addition to the lump-sum severance payments described above, most employees are covered by the Company's non-contributory pension plan. Pension costs charged to income for the years ended 31st March, 1999 and 1998 were ¥190 million (\$1,583 thousand) and ¥68 million, respectively.

#### 7. INCOME TAXES:

Japanese taxes on income applicable to the Company would normally result in an aggregate tax rate of approximately 48% for 1999 and 51% for 1998.

The effective income tax rates on income before income taxes in the accompanying non-consolidated financial statements differ from the normal Japanese tax rates. The principal reasons for such differences are (a) the accounting policy of not providing for deferred income taxes arising from temporary differences between financial and tax reporting and (b) certain expenses which are not deductible for income tax purposes.

#### 8. LEASING ARRANGEMENTS:

The Company leases machinery and other facilities under non-cancellable agreements. Future minimum rental payments on the above leases are as follows:

Year ending 31st March,	(millions of yen)	(thousands of US dollars)
2000.....	¥ 504	\$ 4,200
2001.....	425	3,542
2002.....	347	2,892
2003.....	213	1,775
2004 and thereafter .....	33	275

Rental expenses charged to income for the years ended 31st March, 1999 and 1998 were ¥526 million (\$4,383 thousand) and ¥685 million, respectively.



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## 9. SHAREHOLDERS' EQUITY:

The Japanese Commercial Code provides that an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings be appropriated as a legal reserve until such reserve equals 25% of stated value of capital stock. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders or may be capitalised by resolution of the Board of Directors.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividend is applicable. In addition, a semi-annual interim dividend may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Code.

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each fiscal year.

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## 10. OTHER INCOME (EXPENSES) — OTHER, NET:

Other income (expenses) — Other, net consisted of the following:

	(millions of yen)		(thousands of US dollars)
	1999	1998	1999
Gain (loss) on sale of property, plant and equipment .....	¥ 9	(¥ 362)	\$ 75
Gain on sale of securities .....	9,153	846	76,275
Devaluation of securities .....	(5,422)	(1,114)	(45,183)
Other, net .....	(1,972)	(444)	(16,434)
	<u>¥ 1,768</u>	<u>(¥ 1,074)</u>	<u>\$ 14,733</u>

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## 11. COMMITMENTS AND CONTINGENCIES:

Contingent liabilities at 31st March, 1999 and 1998 for trade notes discounted with banks amounted to ¥600 million (\$5,000 thousand). Contingent liabilities at 31st March, 1999 and 1998 for loans guaranteed amounted to ¥14,491million (\$120,758 thousand) and ¥8,912 million, respectively.

Commitments for capital expenditures outstanding at 31st March, 1999 and 1998 were in the approximate amounts of ¥10,976 million (\$91,467 thousand) and ¥7,863 million, respectively.

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## 12. SUBSEQUENT EVENTS:

On 29th June, 1999, the shareholders authorised the appropriation of retained earnings as follows:

	(millions of yen)	(thousands of US dollars)
	¥	\$
Cash dividends (¥3.50 per share) .....	828	6,900
Directors' bonuses.....	50	417

## Report of Independent Certified Public Accountant on Non-Consolidated Financial Statements

To the Board of Directors  
Nisshinbo Industries, Inc.

I have examined the non-consolidated balance sheet of Nisshinbo Industries, Inc. as of 31st March, 1998, and the related statements of income, shareholders' equity and cash flows for the year then ended, all expressed in Japanese yen. My examination was made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the non-consolidated financial statements referred to above present fairly the financial position of Nisshinbo Industries, Inc. as of 31st March, 1998, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in Japan applied on a basis consistent with that of the preceding year.

The United States dollar amounts shown in the non-consolidated financial statements have been translated solely for convenience. I have reviewed this translation and, in my opinion, the non-consolidated financial statements expressed in Japanese yen have been translated into US dollars on the basis described in Note 1.



Masami Tsukeshiba  
*Certified Public Accountant*

26th June, 1998  
Tokyo, Japan

## Report of Independent Certified Public Accountants on Non-Consolidated Financial Statements

To the Board of Directors  
Nisshinbo Industries, Inc.

We have examined the non-consolidated balance sheet of Nisshinbo Industries, Inc. as of 31st March, 1999, and the related statements of income, shareholders' equity and cash flows for the year then ended, all expressed in Japanese yen. Our examination was made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the financial position of Nisshinbo Industries, Inc. as of 31st March, 1999, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in Japan applied on a basis consistent with that of the preceding year.

The United States dollar amounts shown in the non-consolidated financial statements have been translated solely for convenience. We have reviewed this translation and, in our opinion, the non-consolidated financial statements expressed in Japanese yen have been translated into US dollars on the basis described in Note 1.



Masami Tsukeshiba  
*Certified Public Accountant*



Etsuko Nagashima  
*Certified Public Accountant*

29th June, 1999  
Tokyo, Japan

# Consolidated Balance Sheets

31st March, 1999 and 1998

ASSETS	(millions of yen)		(thousands of US dollars) (Note 1)
	1999	1998	1999
<b>Current assets:</b>			
Cash and cash equivalents			
Cash .....	¥ 5,145	¥ 5,615	\$ 42,875
Time deposits .....	39,602	33,007	330,017
	44,747	38,622	372,892
Marketable securities (Note 4) .....	12,947	15,635	107,892
Receivables			
Notes receivable, trade .....	11,915	12,394	99,292
Accounts receivable, trade .....	30,543	32,711	254,525
Non-consolidated subsidiaries and affiliates .....	14,569	19,165	121,408
Other .....	1,089	869	9,075
	58,116	65,139	484,300
Less allowance for doubtful accounts .....	(505)	(681)	(4,208)
	57,611	64,458	480,092
Inventories (Note 3) .....	48,819	52,851	406,825
Other current assets .....	897	1,141	7,475
Total current assets .....	165,021	172,707	1,375,176
<b>Property, plant and equipment:</b>			
Land .....	14,984	14,640	124,866
Buildings and structures .....	91,487	88,761	762,392
Machinery, equipment and tools .....	200,394	196,196	1,669,950
Construction in progress .....	7,200	1,159	60,000
	314,065	300,756	2,617,208
Less accumulated depreciation .....	(201,467)	(193,011)	(1,678,892)
	112,598	107,745	938,316
<b>Investments and other assets:</b>			
Investment securities (Note 4) .....	31,338	18,818	261,150
Investments in and advances to non-consolidated subsidiaries and affiliates (Note 4) .....	34,178	28,004	284,817
Other .....	14,502	1,828	120,850
	80,018	48,650	666,817
<b>Adjustments on foreign currency statement translation .....</b>	<b>1,753</b>	<b>—</b>	<b>14,608</b>
	<u>¥ 359,390</u>	<u>¥ 329,102</u>	<u>\$ 2,994,917</u>

See Notes to Consolidated Financial Statements.

## LIABILITIES AND SHAREHOLDERS' EQUITY

	(millions of yen)		(thousands of US dollars) (Note 1)
	1999	1998	1999
<b>Current liabilities:</b>			
Short-term bank loans (Note 5) .....	¥ 55,333	¥ 30,395	\$ 461,108
Current portion of long-term debt (Note 5) .....	4,359	26,473	36,325
Payables			
Notes and accounts payable, trade .....	18,773	19,181	156,442
Non-consolidated subsidiaries and affiliates .....	1,102	1,049	9,183
Other .....	5,634	3,374	46,950
	25,509	23,604	212,575
Employees' savings deposits .....	5,092	5,394	42,433
Accrued expenses .....	3,873	4,002	32,275
Accrued income taxes (Note 7) .....	1,527	1,843	12,725
Other current liabilities.....	872	516	7,267
Total current liabilities .....	96,565	92,227	804,708
<b>Long-term liabilities:</b>			
Long-term debt (Note 5) .....	8,916	5,548	74,300
Accrued severance benefits (Note 6) .....	21,703	21,263	180,858
Other long-term liabilities .....	30,058	8,740	250,484
	60,677	35,551	505,642
<b>Adjustments on foreign currency statement translation.....</b>	—	546	—
<b>Minority interests in consolidated subsidiaries.....</b>	1,369	1,405	11,409
<b>Commitments and contingencies (Note 11)</b>			
<b>Shareholders' equity (Notes 9 and 12):</b>			
Common stock:			
Authorised — 400,000,000 shares			
Issued with par value of ¥50 per share —			
236,443,939 shares .....	27,588	27,588	229,900
Additional paid-in capital.....	20,401	20,401	170,008
Legal reserve .....	6,897	6,897	57,475
Retained earnings .....	145,894	144,488	1,215,783
	200,780	199,374	1,673,166
Less shares in treasury.....	(1)	(1)	(8)
	200,779	199,373	1,673,158
	¥ 359,390	¥ 329,102	\$ 2,994,917

**Consolidated Statements of Income**

Years ended 31st March, 1999 and 1998

	(millions of yen)		(thousands of US dollars) (Note 1)
	1999	1998	1999
<b>Net sales</b> .....	¥ 226,800	¥ 240,249	\$ 1,890,000
<b>Costs and expenses:</b>			
Cost of sales .....	201,447	211,305	1,678,725
Selling, general and administrative expenses .....	24,980	24,955	208,167
	<u>226,427</u>	<u>236,260</u>	<u>1,886,892</u>
<b>Operating income</b> .....	373	3,989	3,108
<b>Other income (expenses):</b>			
Interest and dividend income .....	2,533	2,278	21,108
Interest expenses .....	(1,780)	(1,649)	(14,833)
Other, net (Note 10) .....	7,478	(1,231)	62,317
	<u>8,231</u>	<u>(602)</u>	<u>68,592</u>
<b>Income before income taxes, minority interests and equity in earnings (losses) of affiliates</b> .....	8,604	3,387	71,700
<b>Income taxes (Note 7)</b> .....	<u>2,466</u>	<u>2,434</u>	<u>20,550</u>
<b>Income before minority interests and equity in earnings (losses) of affiliates</b> .....	6,138	953	51,150
<b>Minority interests</b> .....	71	88	592
<b>Equity in earnings (losses) of affiliates</b> .....	<u>(2,048)</u>	<u>46</u>	<u>(17,067)</u>
<b>Net income</b> .....	<u>¥ 4,161</u>	<u>¥ 1,087</u>	<u>\$ 34,675</u>
		(yen)	(US dollars)
<b>Per share:</b>			
Net income .....	¥ 17.60	¥ 4.60	\$ 0.15
Cash dividends .....	7.00	7.00	0.06

See Notes to Consolidated Financial Statements.

# Consolidated Statements of Shareholders' Equity

Years ended 31st March, 1999 and 1998

	(millions of yen)		(thousands of US dollars) (Note 1)
	1999	1998	1999
<b>Common stock:</b>			
Balance at beginning of year (1999 and 1998 — 236,443,939 shares).....	¥ 27,588	¥ 27,588	\$ 229,900
Balance at end of year (1999 and 1998 — 236,443,939 shares).....	¥ 27,588	¥ 27,588	\$ 229,900
<b>Additional paid-in capital:</b>			
Balance at beginning of year .....	¥ 20,401	¥ 19,709	\$ 170,008
Add:			
Business acquisition.....	—	692	—
Balance at end of year .....	¥ 20,401	¥ 20,401	\$ 170,008
<b>Legal reserve:</b>			
Balance at beginning of year .....	¥ 6,897	¥ 6,897	\$ 57,475
Balance at end of year .....	¥ 6,897	¥ 6,897	\$ 57,475
<b>Retained earnings:</b>			
Balance at beginning of year .....	¥ 144,488	¥ 144,565	\$ 1,204,067
Add:			
Net income.....	4,161	1,087	34,675
Adjustments due to increase in consolidated subsidiaries .....	—	1,191	—
Adjustments due to increase in ownership interest in 20%~50% owned affiliates .....	—	78	—
Deduct:			
Cash dividends.....	(1,656)	(1,655)	(13,800)
Directors' and statutory auditors' bonuses .....	(92)	(86)	(767)
Adjustments due to increase in 1999 and decrease in 1998 in consolidated subsidiaries .....	(959)	(692)	(7,992)
Adjustments due to decrease in ownership interest in 20%~50% owned affiliates .....	(48)	—	(400)
Balance at end of year .....	¥ 145,894	¥ 144,488	\$ 1,215,783
<b>Treasury stock at cost:</b>			
Balance at beginning of year .....	(¥ 1)	(¥ 1)	(\$ 8)
Balance at end of year .....	(¥ 1)	(¥ 1)	(\$ 8)

See Notes to Consolidated Financial Statements.

# Consolidated Statements of Cash Flows

Years ended 31st March, 1999 and 1998

	(millions of yen)		(thousands of US dollars) (Note 1)
	1999	1998	1999
<b>Cash flows from operating activities:</b>			
Net income .....	¥ 4,161	¥ 1,087	\$ 34,675
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation .....	13,225	13,634	110,208
Equity in (earnings) losses of affiliates .....	2,048	(46)	17,067
Provision for severance benefits .....	1,889	1,977	15,742
Payment of severance benefits .....	(1,449)	(942)	(12,075)
(Gain) loss on sale of property, plant and equipment .....	(5)	386	(42)
Gain on sale of marketable securities.....	(1,848)	(1,053)	(15,400)
(Gain) loss on sale of investment securities and investments in and advances to non-consolidated subsidiaries and affiliates .....	(7,372)	82	(61,433)
Write-down of marketable securities and investment securities .....	810	1,142	6,750
Unrealized exchange losses .....	(2,176)	1,144	(18,133)
Other .....	370	2,490	3,083
Changes in operating assets and liabilities:			
Receivables .....	7,023	(259)	58,525
Inventories .....	4,032	(3,821)	33,600
Other current assets .....	244	(512)	2,033
Payables .....	(632)	(1,751)	(5,267)
Employees' savings deposits .....	(302)	(737)	(2,517)
Accrued expenses .....	(129)	(49)	(1,075)
Accrued income taxes .....	(316)	(643)	(2,633)
Other current liabilities .....	356	(49)	2,967
Net cash provided by operating activities .....	<u>19,929</u>	<u>12,080</u>	<u>166,075</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of property, plant and equipment .....	14,377	109	119,808
Proceeds from sale of marketable securities .....	212,607	193,402	1,771,725
Proceeds from sale of investment securities and investments in and advances to non-consolidated subsidiaries and affiliates .....	7,780	52	64,833
Payment for purchase of property, plant and equipment .....	(15,481)	(12,333)	(129,008)
Payment for purchase of marketable securities .....	(207,601)	(188,479)	(1,730,008)
Payment for purchase of investment securities and investments in and advances to non-consolidated subsidiaries and affiliates .....	(23,404)	(1,815)	(195,033)
Other, net .....	77	151	642
Net cash used in investing activities .....	<u>(11,645)</u>	<u>(8,913)</u>	<u>(97,041)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term debt .....	3,130	165	26,083
Repayment of long-term debt .....	(26,496)	(1,136)	(220,800)
Increase (decrease) in other long-term liabilities .....	(179)	223	(1,491)
Increase in short-term bank loans .....	23,134	601	192,783
Cash dividends paid .....	(1,656)	(1,655)	(13,800)
Directors' and statutory auditors' bonuses paid .....	(92)	(86)	(767)
Net cash used in financing activities .....	<u>(2,159)</u>	<u>(1,888)</u>	<u>(17,992)</u>
<b>Net increase in cash and cash equivalents .....</b>	<b>6,125</b>	<b>1,279</b>	<b>51,042</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>38,622</b>	<b>37,343</b>	<b>321,850</b>
<b>Cash and cash equivalents at end of year .....</b>	<b>¥ 44,747</b>	<b>¥ 38,622</b>	<b>\$ 372,892</b>
<b>Cash paid during the year for:</b>			
Interest .....	¥ 1,753	¥ 1,411	\$ 14,608
Income taxes .....	2,238	2,597	18,650
<b>Noncash investing and financing activities :</b>			
Assets acquired by incurring accounts payable .....	¥ 2,537	—	\$ 21,142

See Notes to Consolidated Financial Statements.

## Notes to Consolidated Financial Statements

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### 1. BASIS OF PRESENTING FINANCIAL STATEMENTS:

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations and in conformity with generally accepted accounting principles and practices in Japan.

In preparing these financial statements, however, certain reclassifications have been made to the financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan.

A statement of cash flows is not required for domestic reporting purposes but is presented herein for the readers' convenience.

In addition, the accompanying footnotes include information which is not required under generally accepted accounting principles and practices in Japan but is presented herein as additional information.

The United States dollar (\$) amounts included herein are given solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥120 = \$1, the approximate exchange rate at 31st March, 1999. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into United States dollars.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### (a) Basis of consolidation

The accompanying consolidated financial statements include the accounts of Nisshinbo Industries, Inc. ("Nisshinbo") and its majority-owned subsidiaries (together "Nisshinbo and its consolidated subsidiaries").

Investments in 20~50% owned affiliates were accounted for by the equity method.

Intercompany transactions and accounts have been eliminated.

#### (b) Foreign currency transactions

Short-term receivables and payables in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheet dates.

Investments in and advances to subsidiaries and affiliates and long-term debt in foreign currencies are translated at the historical rates effective at the dates of transaction from which such accounts were originated.

#### (c) Foreign currency financial statements

Assets, liabilities, income and expenses of foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date.

#### (d) Cash and cash equivalents

In reporting cash flows, Nisshinbo and its consolidated subsidiaries consider cash and time deposits with maturities of one year or less to be cash and cash equivalents. Such time deposits may be withdrawn on demand without diminution of principal.

#### (e) Investments

Current and non-current portfolios of marketable debt and equity securities are stated at the lower of cost or market. Other investments are stated at cost.

#### (f) Inventories

Inventories are stated principally at the lower of cost or market, cost being substantially determined by the average cost method.

#### (g) Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is computed principally on the declining balance method over their estimated useful lives.

#### (h) Accrued severance benefits

The annual provision for severance payments is calculated to state the liability at the amount that would be required if all employees eligible for severance payments should terminate their employment at the balance sheet date, less amounts funded. With minor exceptions, such provision includes those for directors and statutory auditors of Nisshinbo and its consolidated subsidiaries. Normal and prior service costs of Nisshinbo and its consolidated subsidiaries' non-contributory pension plans are charged to income and funded currently.

#### (i) Income taxes

Income taxes are provided for amounts currently payable for each fiscal year. No tax effect of temporary differences between tax and financial reporting purposes is recognised.



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### 3. INVENTORIES:

Inventories at 31st March, 1999 and 1998 were as follows:

	(millions of yen)		(thousands of US dollars)
	1999	1998	1999
Finished products .....	¥ 29,832	¥ 33,769	\$ 248,600
Work in process.....	8,691	9,747	72,425
Materials and supplies.....	10,296	9,335	85,800
	<u>¥ 48,819</u>	<u>¥ 52,851</u>	<u>\$ 406,825</u>

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### 4. MARKETABLE EQUITY SECURITIES:

At 31st March, 1999 and 1998, the aggregate cost and market value of current and non-current portfolios of marketable equity securities included in marketable securities, investment securities and investments in non-consolidated subsidiaries and affiliates were summarised as follows:

	(millions of yen)		(thousands of US dollars)
	1999	1998	1999
Current portfolios:			
Cost and carrying amount .....	¥ 12,677	¥ 13,429	\$ 105,642
Market value .....	42,872	48,275	357,267
Non-current portfolios:			
Cost and carrying amount .....	45,983	39,735	383,192
Market value .....	129,630	132,029	1,080,250

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### 5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT:

Short-term bank loans at 31st March, 1999 and 1998 were principally represented by 180 to 365 days notes issued by Nisshinbo and its consolidated subsidiaries to banks. The annual interest rates applicable to the short-term bank loans at 31st March, 1999 and 1998 were 0.7% to 8.8% and 1.0 % to 9.5%, respectively.

Long-term debt at 31st March, 1999 and 1998 consisted of the following:

	(millions of yen)		(thousands of US dollars)
	1999	1998	1999
Long-term debt with collateral:			
Loans from banks maturing serially to 2007, ranging from 1.4% to 4.7% .....	¥ 1,590	¥ 1,231	\$ 13,250
Non-interest bearing loan from a governmental institute maturing serially to 1999 .....	107	214	892
Long-term debt without collateral:			
Loans from banks maturing serially to 2003, ranging from 1.6% to 6.6% .....	2,089	394	17,408
1.7% convertible bonds, convertible into common stock at ¥1,800.50, due in 1999 .....	—	25,312	—
8.3% notes, due in 1999 .....	3,519	3,958	29,325
Capital lease obligations, due through 2010 .....	5,970	912	49,750
	<u>13,275</u>	<u>32,021</u>	<u>110,625</u>
Less current portion .....	<u>(4,359)</u>	<u>(26,473)</u>	<u>(36,325)</u>
	<u>¥ 8,916</u>	<u>¥ 5,548</u>	<u>\$ 74,300</u>

Annual maturities of long-term debt were as follows:

Year ending 31st March,	(millions of yen)	(thousands of US dollars)
2000.....	¥ 4,359	\$ 36,325
2001 .....	1,151	9,592
2002.....	830	6,917
2003.....	767	6,391
2004 and thereafter .....	6,168	51,400
	<u>¥ 13,275</u>	<u>\$ 110,625</u>

At 31st March, 1999 and 1998, net book value of assets pledged as collateral for short-term bank loans and long-term loans from banks and a governmental institute was as follows:

	(millions of yen)		(thousands of US dollars)
	1999	1998	1999
Property, plant and equipment .....	¥ 4,559	¥ 3,186	\$ 37,992
Investment securities.....	85	79	708
	<u>¥ 4,644</u>	<u>¥ 3,265</u>	<u>\$ 38,700</u>

## 6. RETIREMENT AND PENSION PLANS:

Under most circumstances, employees terminating their employment are entitled to lump-sum severance payments based on the rate of pay at termination, years of service and certain other factors.

Provisions for severance payments charged to income for the years ended 31st March, 1999 and 1998 were ¥1,889 million (\$15,742 thousand) and ¥1,977 million, respectively.

In addition to the lump-sum severance payments described above, most employees are covered by Nisshinbo and its consolidated subsidiaries' non-contributory pension plans. Pension costs charged to income for the years ended 31st March, 1999 and 1998 were ¥347 million (\$2,892 thousand) and ¥236 million, respectively.

## 7. INCOME TAXES:

Japanese taxes on income applicable to Nisshinbo and its domestic consolidated subsidiaries would normally result in an aggregate tax rate of approximately 48% for 1999 and 51% for 1998.

The effective income tax rates on income before income taxes, minority interests and equity in earnings of affiliates in the accompanying consolidated financial statements differ from the normal Japanese tax rates. The principal reasons for such differences are (a) the accounting policy of not providing for deferred income taxes arising from temporary differences between financial and tax reporting and (b) certain expenses which are not deductible for income tax purposes.

## 8. LEASING ARRANGEMENTS:

The Company and its consolidated subsidiaries lease machinery and other facilities under non-cancellable agreements.

Future minimum rental payments on the above leases are as follows:

Year ending 31st March,	(millions of yen)	(thousands of US dollars)
2000.....	¥ 833	\$ 6,942
2001 .....	703	5,858
2002 .....	589	4,908
2003.....	401	3,342
2004 and thereafter .....	225	1,875

Rental expenses charged to income for the years ended 31st March, 1999 and 1998 were ¥900 million (\$7,500 thousand) and ¥1,066 million, respectively.

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## 9. SHAREHOLDERS' EQUITY:

The Japanese Commercial Code provides that an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings be appropriated as a legal reserve until such reserve equals 25% of stated value of capital stock. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders or may be capitalised by resolution of the Board of Directors.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividend is applicable. In addition, a semi-annual interim dividend may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Code.

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each fiscal year.

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## 10. OTHER INCOME (EXPENSES) — OTHER, NET:

Other income (expenses) — Other, net consisted of the following:

	(millions of yen)		(thousands of US dollars)
	1999	1998	1999
Gain (loss) on sale of property, plant and equipment .....	¥ 5	(¥ 386)	\$ 42
Gain on sale of securities.....	9,220	971	76,833
Devaluation of securities .....	(810)	(1,142)	(6,750)
Other, net .....	(937)	(674)	(7,808)
	<u>¥ 7,478</u>	<u>(¥ 1,231)</u>	<u>\$ 62,317</u>

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## 11. COMMITMENTS AND CONTINGENCIES:

Contingent liabilities at 31st March, 1999 and 1998 for trade notes discounted with banks and tradenotes delivered with endorsements for payments amounted to ¥1,540 million (\$12,833 thousand) and ¥2,004 million, respectively. Contingent liabilities at 31st March, 1999 and 1998 for loans guaranteed amounted to ¥1,048 million (\$8,733 thousand) and ¥2,690 million, respectively.

Commitments for capital expenditures outstanding at 31st March, 1999 and 1998 were in the approximate amounts of ¥11,021 million (\$91,842 thousand) and ¥8,045 million, respectively.

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## 12. SUBSEQUENT EVENTS:

On 29th June, 1999, Nisshinbo's shareholders authorised the appropriation of retained earnings as follows:

	(millions of yen)	(thousands of US dollars)
Cash dividends (¥3.50 per share) .....	¥ 828	\$ 6,900
Directors' bonuses.....	50	417

## Report of Independent Certified Public Accountant on Consolidated Financial Statements

To the Board of Directors  
Nisshinbo Industries, Inc.

I have examined the consolidated balance sheet of Nisshinbo Industries, Inc. and consolidated subsidiaries as of 31st March, 1998, and the related statements of income, shareholders' equity and cash flows for the year then ended, all expressed in Japanese yen. My examination was made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the consolidated financial statements referred to above present fairly the financial position of Nisshinbo Industries, Inc. and consolidated subsidiaries as of 31st March, 1998, and the results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles in Japan applied on a basis consistent with that of the preceding year.

The United States dollar amounts shown in the consolidated financial statements have been translated solely for convenience. I have reviewed this translation and, in my opinion, the consolidated financial statements expressed in Japanese yen have been translated into US dollars on the basis described in Note 1.



Masami Tsukeshiba  
*Certified Public Accountant*

26th June, 1998  
Tokyo, Japan

## Report of Independent Certified Public Accountants on Consolidated Financial Statements

To the Board of Directors  
Nisshinbo Industries, Inc.

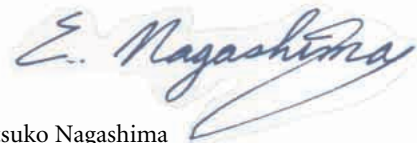
We have examined the consolidated balance sheet of Nisshinbo Industries, Inc. and consolidated subsidiaries as of 31st March, 1999, and the related statements of income, shareholders' equity and cash flows for the year then ended, all expressed in Japanese yen. Our examination was made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Nisshinbo Industries, Inc. and consolidated subsidiaries as of 31st March, 1999, and the results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles in Japan applied on a basis consistent with that of the preceding year.

The United States dollar amounts shown in the consolidated financial statements have been translated solely for convenience. We have reviewed this translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into US dollars on the basis described in Note 1.



Masami Tsukeshiba  
*Certified Public Accountant*



Etsuko Nagashima  
*Certified Public Accountant*

29th June, 1999  
Tokyo, Japan

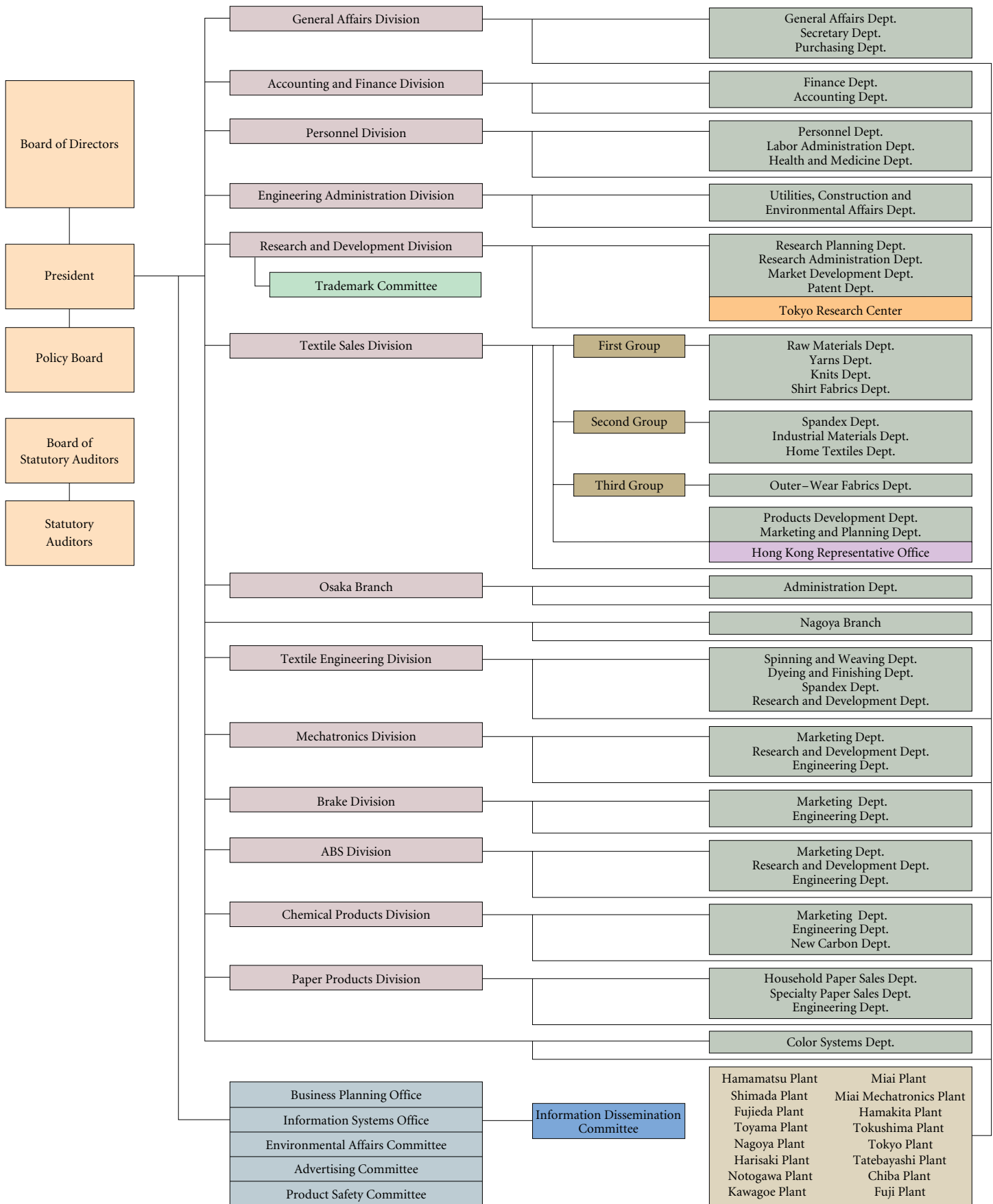
# Board of Directors and Statutory Auditors

<i>President</i> Akihiro Mochizuki	<i>Senior Executive Director</i> Yukio Hosoya	<i>Director</i> Suguru Miyazu	<i>Standing Statutory Auditor</i> Shinsuke Takahashi
	<i>Senior Executive Director</i> Hisao Ishikawa	<i>Director</i> Seiji Yamamoto	<i>Statutory Auditor</i> Masaaki Nagai
		<i>Director</i> Tadashi Nakai	<i>Statutory Auditor</i> Tetsuo Furuya
	<i>Executive Director</i> Tsuyoshi Sugaizumi	<i>Director</i> Hiroshi Nogami	<i>Statutory Auditor</i> Akira Onishi
	<i>Executive Director</i> Yoshimasa Hasegawa	<i>Director</i> Akira Baba	
	<i>Executive Director</i> Yoshikazu Sashida	<i>Director</i> Kenji Tasaki	
	<i>Executive Director</i> Koushi Fujino	<i>Director</i> Takashi Iwashita	
	<i>Executive Director</i> Hisayoshi Arata	<i>Director</i> Kunihiro Toda	
		<i>Director</i> Yasuo Takeuchi	

## Corporate Data (As of March 31, 1999)

<b>Founded:</b>	February 5, 1907
<b>Head Office:</b>	2-31-11, Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo 103-8650 Tel: 03-5695-8833 Fax: 03-5695-8970 Url: <a href="http://www.nisshinbo.co.jp/">http://www.nisshinbo.co.jp/</a>
<b>Osaka Branch:</b>	2-4-2, Kitakyuhoji-cho, Chuo-ku, Osaka 541-0057 Tel: 06-6267-5501 Fax: 06-6267-5679
<b>Nagoya Branch:</b>	5-2-38, Sakae, Naka-ku, Nagoya 460-0008 Tel: 052-261-6151 Fax: 052-263-9480
<b>Hong Kong Representative Office:</b>	Room 1126, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong Tel: 2736-7886 Fax: 2730-2181
<b>Nisshinbo do Brasil Industria Textil Ltda.:</b>	Av. Paulista 1009, 11° andar Cj. 1101/1103, CEP 01311-100, São Paulo, s.p., Brasil Tel: 011-289-9255 Fax: 011-288-7902
<b>Nisshinbo California Inc.:</b>	2885 South Cherry Avenue, Fresno, CA 93706, U.S.A. Tel: 209-486-6241 Fax: 209-264-6417
<b>Nisshinbo Automotive Corporation:</b>	42355 Merrill Road, Sterling Heights, MI 48314, U.S.A. Tel: 810-997-1000 Fax: 810-997-1010
<b>Nisshinbo Europe B.V.:</b>	World Trade Center, Strawinskylaan B1425 1077XX Amsterdam, The Netherlands Tel: 020-5753349 Fax: 020-5753350
<b>Nisshinbo Hong Kong Limited:</b>	Room 1126, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong Tel: 2736-7886 Fax: 2730-2181
<b>Employees:</b>	4,935
<b>Common Stock:</b>	
<b>Par Value:</b>	¥50 — US\$0.42
<b>Authorized:</b>	400,000,000 shares
<b>Issued:</b>	236,443,939 shares ¥27,588 million — US\$230 million
<b>Shareholders:</b>	15,700

# Organization Chart





2-31-11, Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo 103-8650, Japan

Tel: 03-5695-8833 / Fax: 03-5695-8970

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