

# FINANCIAL REVIEW

## Operating Results

On a consolidated basis, net sales for fiscal 2000, ended 31st March, 2000, totaled ¥227,452 million (US\$2,166 million), an increase of 0.3% over fiscal 1999.

During fiscal 2000, the textiles segment faced a difficult business environment due to continued weak consumer spending, and was effected by the liquidation of Nisshinbo California Inc. (NCI), a joint venture textile subsidiary in the U.S. Textiles sales amounted to ¥83,804 million (US\$798 million), a decrease of 7.1% from fiscal 1999 and accounting for 36.8% of total sales, down 3.0 percentage points.

Operating income recovered, due mainly to a decrease in the price of raw cotton and our drive to reduce operating costs and selling, general and administrative expenses. Non-textiles sales totaled ¥143,648 million (US\$1,368 million), an increase of 5.2% over fiscal 1999 and accounting for 63.2% of total sales, up 3.0 percentage points. This increase in non-textile sales was due mainly to good performances in the automobile brakes, papers and real estate fields. Operating income also increased\*.

Cost of sales decreased 2.0% to ¥197,408 million (US\$1,880 million). The ratio of cost of sales to net sales decreased 2.0 percentage points to 86.8%. Selling, general and administrative expenses increased 3.7% to ¥25,904 million (US\$247 million). As a result, costs and expenses decreased 1.4% to ¥223,312 million (US\$2,127 million). Operating income increased ¥3,767 million to ¥4,140 million (US\$39 million).

Gain on sale of securities decreased ¥3,076 million to ¥6,144 million (US\$59 million). Loss on disposal of a segment of a business amounted to ¥2,331 million (US\$22 million) on NCI's liquidation. As a result, other income (net) decreased 79.4% to ¥1,271 million (US\$12 million). Income before income taxes and minority interests was ¥5,411 million (US\$52 million), a decrease of 17.5%. Income taxes in an amount of ¥2,452 million (US\$23 million) and minority interests in net income in an amount of ¥311 million (US\$3 million) were deducted. Consequently, net income was ¥2,648 million (US\$25 million), a decrease of 36.4% from fiscal 1999. Net income per share was ¥11.36 (US\$0.11), down ¥6.24. Return on equity decreased 0.8 percentage points to 1.3%.

The total dividend per share for fiscal 2000 was ¥7.00 (US\$0.07), the same as for fiscal 1999. Cash dividends totaled ¥1,624 million (US\$15 million), representing a payout ratio of 61.3%, up 21.5 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."

## Financial Position

Total assets as of 31st March, 2000 stood at ¥344,814 million (US\$3,284 million), down 4.1% over fiscal 1999. Current assets decreased 6.4% to ¥154,429 million (US\$1,471 million). Notes receivable, trade and accounts receivable, trade each increased, but cash and cash equivalents,

time deposits, marketable securities, receivables from unconsolidated subsidiaries and affiliates, and inventories each decreased. The decrease in marketable securities was due to the transfer of certain securities from current assets to investments and other assets. Property, plant and equipment decreased 5.7% to ¥106,200 million (US\$1,011 million). Investments and other assets decreased 1.6% to ¥78,744 million (US\$750 million).

Short-term bank loans and the current portion of long-term debt decreased. Notes and accounts payable, trade increased. As a result, current liabilities decreased 5.5% to ¥91,284 million (US\$869 million). Long-term liabilities decreased 17.0% to ¥50,367 million (US\$480 million), due to a decrease in other long-term liabilities arising from the method used to account for the proceeds from the sale of the land of the Tokyo Plant.

Total current and long-term liabilities amounted to ¥141,651 million (US\$1,349 million), down 9.9%. Minority interests in consolidated subsidiaries increased ¥1,668 million to ¥3,037 million (US\$29 million).

In fiscal 2000, the Company bought back a total of nine million of its shares for an amount of ¥4,575 million and cancelled them. Shareholders' equity was ¥200,126 million (US\$1,906 million), down 0.3%. Shareholders' equity ratio was 58.0%, up 2.1 percentage points. Shareholders' equity per share was ¥881.01 (US\$8.39) an increase of ¥37.84.

## Cash Flows

Despite gain on sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates and cash and cash equivalents of newly consolidated subsidiaries, cash and cash equivalents at year-end decreased ¥2,569 million to ¥33,165 million (US\$316 million), due to an increase in capital investments and expenses incurred in payment for purchase of treasury stock and repayment of long-term debt.

Net cash provided by operating activities decreased ¥9,680 million to ¥10,983 million (US\$105 million). This was due mainly to a substantial increase in notes and accounts receivable, trade, and a decrease in income before income taxes and minority interests.

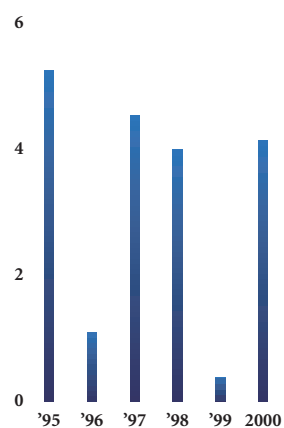
Net cash used in investing activities decreased ¥1,868 million from fiscal 1999 to ¥10,316 million (US\$98 million). This was due mainly to a significant decrease in payment for purchase of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates, which outweighed an increase in payment for purchase of property, plant and equipment and a decrease in proceeds from sale of property, plant and equipment.

Net cash used in financing activities increased ¥6,908 million to ¥8,796 million (US\$84 million). This was due mainly to payment for purchase of treasury stock and repayment of long-term debt.

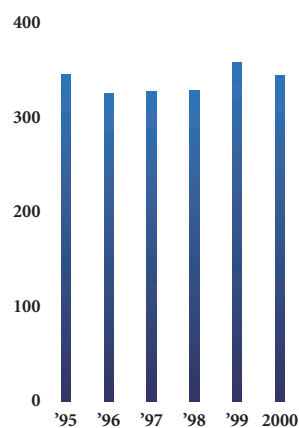
# SIX-YEAR SUMMARY

	1995	1996	1997	1998	1999	2000
	(millions of yen)					
Net Sales	224,269	216,721	234,268	240,249	226,800	227,452
Operating Income	5,250	1,100	4,541	3,989	373	4,140
Net Income	1,708	2,195	2,359	1,087	4,161	2,648
Shareholders' Equity	197,509	198,139	198,758	199,373	200,779	200,126
Total Assets	345,886	325,754	328,427	329,102	359,390	344,814
Shareholders' Equity Ratio (%)	57.1	60.8	60.5	60.6	55.9	58.0
Return on Equity (%)	0.9	1.1	1.2	0.5	2.1	1.3
Capital Investment	17,441	19,925	12,697	13,385	23,002	23,232
Depreciation and Amortization	13,105	13,936	13,266	13,634	13,411	14,228
Per Share (in yen):						
Net Income	7.22	9.28	9.98	4.60	17.60	11.36
Shareholders' Equity	835.36	838.03	840.62	843.21	843.17	881.01
Cash Dividends	7.00	7.00	7.00	7.00	7.00	7.00
Number of Employees	8,209	8,127	8,067	8,452	8,452	8,235

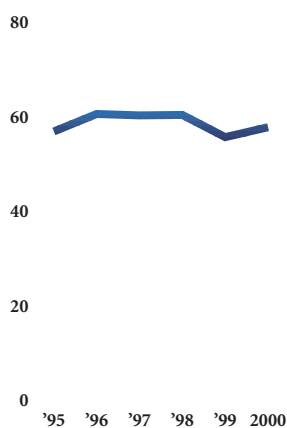
**Operating Income**  
(Billions of yen)



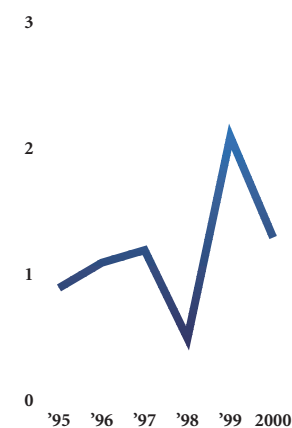
**Total Assets**  
(Billions of yen)



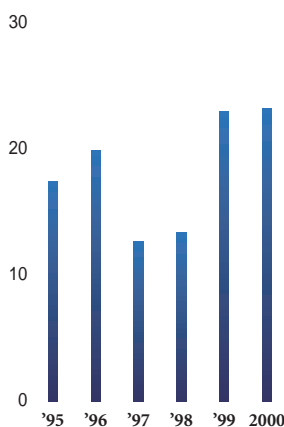
**Shareholders' Equity Ratio (%)**



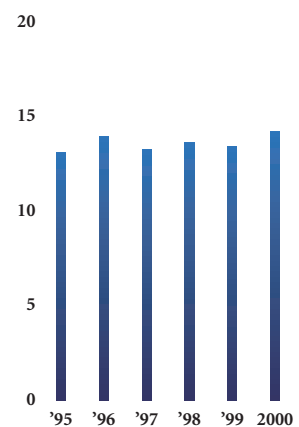
**Return on Equity (%)**



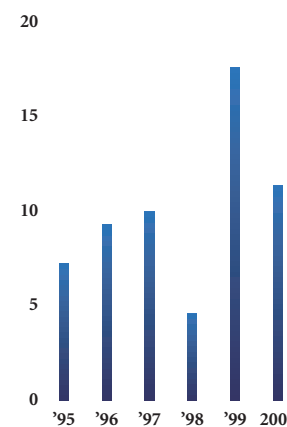
**Capital Investment**  
(Billions of yen)



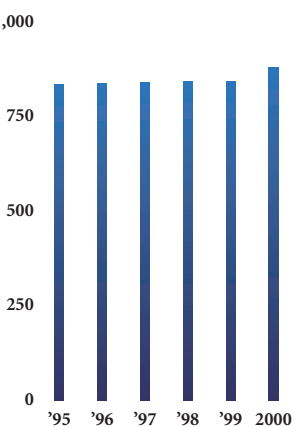
**Depreciation and Amortization**  
(Billions of yen)



**Net Income per Share (Yen)**



**Shareholders' Equity per Share (Yen)**



# Consolidated Balance Sheets

31st March, 2000 and 1999

ASSETS	(millions of yen)		(thousands of US dollars) (Note 1)
	2000	1999	2000
<b>Current assets:</b>			
Cash and cash equivalents.....	¥ 33,165	¥ 35,734	\$ 315,857
Time deposits.....	4,130	9,013	39,333
Marketable securities (Note 4) .....	1,076	12,947	10,248
Receivables			
Notes receivable, trade.....	13,474	11,915	128,324
Accounts receivable, trade .....	43,801	30,543	417,152
Unconsolidated subsidiaries and affiliates.....	5,428	14,569	51,695
Other.....	8,572	1,089	81,638
	<u>71,275</u>	<u>58,116</u>	<u>678,809</u>
Less allowance for doubtful accounts .....	(1,655)	(505)	(15,762)
	<u>69,620</u>	<u>57,611</u>	<u>663,047</u>
Inventories (Note 3) .....	43,960	48,819	418,667
Deferred tax assets (Note 7).....	1,780	—	16,952
Other current assets.....	698	897	6,648
Total current assets.....	<u>154,429</u>	<u>165,021</u>	<u>1,470,752</u>
<b>Property, plant and equipment:</b>			
Land.....	15,775	14,984	150,238
Buildings and structures .....	93,591	91,487	891,343
Machinery, equipment and tools.....	201,800	200,394	1,921,905
Construction in progress .....	719	7,200	6,848
	<u>311,885</u>	<u>314,065</u>	<u>2,970,334</u>
Less accumulated depreciation .....	(205,685)	(201,467)	(1,958,905)
	<u>106,200</u>	<u>112,598</u>	<u>1,011,429</u>
<b>Investments and other assets:</b>			
Investment securities (Note 4).....	43,648	31,338	415,695
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 4).....	25,843	34,178	246,124
Deferred tax assets (Note 7).....	2,393	—	22,791
Other .....	6,860	14,502	65,333
	<u>78,744</u>	<u>80,018</u>	<u>749,943</u>
<b>Adjustments on foreign currency statement translation.....</b>	<u>5,441</u>	<u>1,753</u>	<u>51,819</u>
	<u>¥ 344,814</u>	<u>¥ 359,390</u>	<u>\$ 3,283,943</u>

See Notes to Consolidated Financial Statements.

## LIABILITIES AND SHAREHOLDERS' EQUITY

	(millions of yen)		(thousands of US dollars) (Note 1)
	2000	1999	2000
<b>Current liabilities:</b>			
Short-term bank loans (Note 5) .....	¥ 50,220	¥ 55,333	\$ 478,286
Current portion of long-term debt (Note 5) .....	1,279	4,359	12,181
Payables			
Notes and accounts payable, trade .....	22,559	18,773	214,847
Unconsolidated subsidiaries and affiliates .....	794	1,102	7,562
Other .....	4,536	5,634	43,200
	27,889	25,509	265,609
Employees' savings deposits .....	4,811	5,092	45,819
Accrued expenses .....	3,912	3,873	37,257
Accrued income taxes (Note 7) .....	2,135	1,527	20,333
Other current liabilities .....	1,038	872	9,886
Total current liabilities .....	91,284	96,565	869,371
<b>Long-term liabilities:</b>			
Long-term debt (Note 5) .....	8,583	8,916	81,743
Accrued severance benefits (Note 6) .....	22,514	21,703	214,419
Deferred tax liabilities (Note 7) .....	190	—	1,810
Other long-term liabilities .....	19,080	30,058	181,714
	50,367	60,677	479,686
<b>Minority interests in consolidated subsidiaries</b> .....	3,037	1,369	28,924
<b>Commitments and contingencies (Note 11)</b>			
<b>Shareholders' equity (Notes 9 and 12):</b>			
Common stock:			
Authorised			
2000 — 391,000,000 shares			
1999 — 400,000,000 shares			
Issued with par value of ¥50 per share			
2000 — 227,443,939 shares			
1999 — 236,443,939 shares .....	27,588	27,588	262,743
Additional paid-in capital .....	20,401	20,401	194,295
Retained earnings .....	152,198	152,791	1,449,505
	200,187	200,780	1,906,543
Less shares in treasury .....	(61)	(1)	(581)
	200,126	200,779	1,905,962
	¥ 344,814	¥ 359,390	\$ 3,283,943

**Consolidated Statements of Income**

Years ended 31st March, 2000 and 1999

	(millions of yen)		(thousands of US dollars) (Note 1)
	2000	1999	2000
<b>Net sales</b> .....	¥ 227,452	¥ 226,800	\$ 2,166,209
<b>Costs and expenses:</b>			
Cost of sales .....	197,408	201,447	1,880,076
Selling, general and administrative expenses .....	25,904	24,980	246,705
	<u>223,312</u>	<u>226,427</u>	<u>2,126,781</u>
<b>Operating income</b> .....	4,140	373	39,428
<b>Other income (expenses):</b>			
Interest and dividend income .....	2,428	2,533	23,124
Interest expenses .....	(1,526)	(1,780)	(14,533)
Equity in losses of affiliates .....	(296)	(2,048)	(2,819)
Other, net (Note 10) .....	665	7,478	6,333
	<u>1,271</u>	<u>6,183</u>	<u>12,105</u>
<b>Income before income taxes and minority interests</b> .....	5,411	6,556	51,533
<b>Income taxes (Note 7)</b>			
Current .....	3,591	2,466	34,200
Deferred .....	(1,139)	—	(10,848)
	<u>2,452</u>	<u>2,466</u>	<u>23,352</u>
<b>Income before minority interests</b> .....	2,959	4,090	28,181
<b>Minority interests in net income</b> .....	(311)	71	(2,962)
<b>Net income</b> .....	<u>¥ 2,648</u>	<u>¥ 4,161</u>	<u>\$ 25,219</u>
		(yen)	(US dollars)
<b>Per share:</b>			
Net income .....	¥ 11.36	¥ 17.60	\$ 0.11
Cash dividends .....	7.00	7.00	0.07

See Notes to Consolidated Financial Statements.

# Consolidated Statements of Shareholders' Equity

Years ended 31st March, 2000 and 1999

	(millions of yen)		(thousands of US dollars) (Note 1)
	2000	1999	2000
<b>Common stock:</b>			
Balance at beginning of year (2000 and 1999 — 236,443,939 shares).....	¥ 27,588	¥ 27,588	\$ 262,743
Balance at end of year (2000 — 227,443,939 shares; 1999 — 236,443,939 shares).....	¥ 27,588	¥ 27,588	\$ 262,743
<b>Additional paid-in capital:</b>			
Balance at beginning of year .....	¥ 20,401	¥ 20,401	\$ 194,295
Balance at end of year .....	¥ 20,401	¥ 20,401	\$ 194,295
<b>Retained earnings:</b>			
Balance at beginning of year .....	¥ 152,791	¥ 151,385	\$ 1,455,153
Adjustment due to the adoption of deferred tax .....	4,364	—	41,562
Adjustments due to decrease in 2000 and increase in 1999 in consolidated subsidiaries .....	(873)	(959)	(8,314)
Adjustments due to decrease in 20%~50% owned affiliates .....	(99)	—	(943)
Adjustments due to decrease in ownership interest in 20%~50% owned affiliates .....	(319)	(48)	(3,038)
Net income .....	2,648	4,161	25,219
Cash dividends .....	(1,653)	(1,656)	(15,743)
Directors' and statutory auditors' bonuses.....	(86)	(92)	(819)
Retirement of treasury stock.....	(4,575)	—	(43,572)
	¥ 152,198	¥ 152,791	\$ 1,449,505
<b>Treasury stock at cost:</b>			
Balance at beginning of year .....	(¥ 1)	(¥ 1)	(\$ 10)
Add: acquired .....	(60)	—	(571)
Balance at end of year .....	(¥ 61)	(¥ 1)	(\$ 581)

See Notes to Consolidated Financial Statements.

# Consolidated Statements of Cash Flows

Years ended 31st March, 2000 and 1999

	(millions of yen)		(thousands of US dollars) (Note 1)
	2000	1999	2000
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests .....	¥ 5,411	¥ 6,556	\$ 51,533
Adjustments to reconcile net income to net cash provided by operating activities:			
Income taxes-paid.....	(3,032)	(2,238)	(28,876)
Depreciation and amortization.....	14,228	13,411	135,505
Equity in losses of affiliates .....	296	2,048	2,819
Provision for doubtful receivables .....	849	10	8,086
Provision for severance benefits .....	1,986	1,889	18,914
Payment of severance benefits .....	(1,718)	(1,449)	(16,362)
Directors' and statutory auditors' bonuses paid .....	(92)	(92)	(876)
(Gain) loss on sale of property, plant and equipment .....	33	(5)	314
Gain on sale of marketable securities.....	(733)	(1,848)	(6,981)
Gain on sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates .....	(5,411)	(7,372)	(51,533)
Write-down of marketable securities and investment securities .....	657	810	6,257
Loss on disposal of a segment of a business .....	2,331	—	22,200
Other .....	(336)	(780)	(3,200)
Changes in operating assets and liabilities:			
Receivables .....	(11,044)	6,992	(105,181)
Inventories .....	4,092	3,816	38,972
Payables .....	3,583	(814)	34,124
Other.....	(117)	(271)	(1,115)
Net cash provided by operating activities .....	<u>10,983</u>	<u>20,663</u>	<u>104,600</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of property, plant and equipment .....	569	14,377	5,419
Proceeds from sale of marketable securities.....	1,405	9,938	13,381
Proceeds from sale of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates.....	13,381	7,780	127,438
Payment for purchase of property, plant and equipment .....	(24,447)	(15,481)	(232,829)
Payment for purchase of marketable securities .....	(449)	(4,932)	(4,276)
Payment for purchase of investment securities and investments in and advances to unconsolidated subsidiaries and affiliates .....	(1,607)	(23,404)	(15,305)
Decrease in loans receivable .....	(2,039)	(147)	(19,419)
Decrease (increase) in time deposits .....	3,159	(193)	30,086
Other, net .....	(288)	(122)	(2,743)
Net cash used in investing activities .....	<u>(10,316)</u>	<u>(12,184)</u>	<u>(98,248)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of long-term debt.....	1,455	3,130	13,857
Repayment of long-term debt.....	(3,495)	(26,496)	(33,285)
Increase (decrease) in other long-term liabilities .....	(519)	23,134	(4,942)
Increase (decrease) in short-term bank loans .....	(1,653)	(1,656)	(15,743)
Cash dividends paid .....	(4,575)	—	(43,572)
Payment for purchase of treasury stock .....	(9)	—	(86)
Other .....	(8,796)	(1,888)	(83,771)
Net cash used in financing activities .....	<u>(8,796)</u>	<u>(1,888)</u>	<u>(83,771)</u>
Effect of exchange rate changes on cash .....	(336)	(39)	(3,200)
Net increase (decrease) in cash and cash equivalents.....	(8,465)	6,552	(80,619)
Cash and cash equivalents of newly consolidated subsidiaries at beginning of year.....	5,896	66	56,152
Cash and cash equivalents at beginning of year.....	<u>35,734</u>	<u>29,116</u>	<u>340,324</u>
Cash and cash equivalents at end of year.....	<u>¥ 33,165</u>	<u>¥ 35,734</u>	<u>\$ 315,857</u>
<b>Noncash investing and financing activities :</b>			
Assets acquired by incurring accounts payable .....	¥ 1,324	¥ 2,537	\$ 12,610

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 accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Effective 1st April, 1999, consolidated statements of cash flows are required to be prepared under Japanese accounting standards, and such statements for the years ended 31st March 2000 and 1999 are presented herein.

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 ¥105 = \$1, the approximate exchange rate at 31st March, 2000. 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 (for the year ended 31st March 1999).

Effective 1st April, 1999, the Company and its consolidated subsidiaries changed its consolidation scope from the application of the ownership concept to the control concept.

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, payables and short-term bank loans 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 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 six months 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*

Effective 1st April, 1999, Nisshinbo and its consolidated subsidiaries adopted an accounting method for the allocation of income taxes based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥4,364 million (\$41,562 thousand) is included as an adjustment to retained earnings as of 1st April, 1999. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted tax laws as of 1st April, 1999.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

### 3. INVENTORIES:

Inventories at 31st March, 2000 and 1999 were as follows:

	(millions of yen)		(thousands of US dollars)
	2000	1999	2000
Finished products.....	¥ 26,711	¥ 29,832	\$ 254,390
Work in process.....	8,533	8,691	81,267
Materials and supplies.....	8,716	10,296	83,010
	<u>¥ 43,960</u>	<u>¥ 48,819</u>	<u>\$ 418,667</u>

### 4. MARKETABLE EQUITY SECURITIES:

At 31st March, 2000 and 1999, 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 unconsolidated subsidiaries and affiliates were summarised as follows:

	(millions of yen)		(thousands of US dollars)
	2000	1999	2000
Current portfolios:			
Cost and carrying amount.....	¥ 571	¥ 12,677	\$ 5,438
Market value.....	1,571	42,872	14,962
Non-current portfolios:			
Cost and carrying amount.....	58,341	45,983	555,629
Market value.....	202,975	129,630	1,933,095

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

Short-term bank loans at 31st March, 2000 and 1999 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, 2000 and 1999 were 0.8% to 8.8% and 0.7% to 8.8%, respectively.

Long-term debt at 31st March, 2000 and 1999 consisted of the following:

	(millions of yen)		(thousands of US dollars)
	2000	1999	2000
Long-term debt with collateral:			
Loans from banks maturing serially to 2007, ranging from 1.6% to 4.7%.....	¥ 1,562	¥ 1,590	\$ 14,876
Non-interest bearing loan from a governmental institute maturing serially to 1999.....	—	107	—
Long-term debt without collateral:			
Loans from banks maturing serially to 2005, ranging from 1.4% to 6.6%.....	2,539	2,089	24,181
8.3% notes, due in 1999.....	—	3,519	—
Capital lease obligations, due through 2010.....	5,761	5,970	54,867
	<u>9,862</u>	<u>13,275</u>	<u>93,924</u>
Less current portion.....	<u>(1,279)</u>	<u>(4,359)</u>	<u>(12,181)</u>
	<u>¥ 8,583</u>	<u>¥ 8,916</u>	<u>\$ 81,743</u>

Annual maturities of long-term debt were as follows:

Year ending 31st March,	(millions of yen)	(thousands of US dollars)
2001.....	¥ 1,279	\$ 12,181
2002.....	994	9,467
2003.....	968	9,219
2004.....	2,212	21,067
2005 and thereafter.....	4,409	41,990
	<u>¥ 9,862</u>	<u>\$ 93,924</u>

At 31st March, 2000 and 1999, 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)
	2000	1999	2000
Property, plant and equipment.....	¥ 7,341	¥ 4,559	\$ 69,914
Investment securities.....	—	85	—
	<u>¥ 7,341</u>	<u>¥ 4,644</u>	<u>\$ 69,914</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, 2000 and 1999 were ¥1,986 million (\$18,914 thousand) and ¥1,889 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, 2000 and 1999 were ¥383 million (\$3,648 thousand) and ¥347 million, respectively.

## 7. INCOME TAXES:

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at 31st March, 2000 are as follows:

	millions of yen	thousands of US dollars
Deferred tax assets:		
Property, plant and equipment.....	¥ 617	\$ 5,876
Tax loss carryforwards.....	1,939	18,467
Allowance for doubtful accounts.....	493	4,695
Accrued employees' bonuses.....	436	4,152
Accrued severance benefits.....	6,288	59,886
Other.....	1,340	12,762
Less valuation allowance.....	(2,259)	(21,514)
	<u>¥ 8,854</u>	<u>\$ 84,324</u>
Deferred tax liabilities:		
Deferred gains on sale of property.....	¥ 4,843	\$ 46,124
Other.....	28	267
	<u>¥ 4,871</u>	<u>\$ 46,391</u>
Net deferred tax assets.....	<u>¥ 3,983</u>	<u>\$ 37,933</u>

A reconciliation between the normal effective statutory tax rate for the year ended 31st March, 2000 and the actual effective tax rates reflected in the accompanying consolidated statement of income is as follows:

Normal effective statutory tax rate.....	42.0%
Dividend income not taxable.....	(10.5)
Tax benefits not recognized on operating losses of subsidiaries.....	16.6
Equity in losses of affiliates.....	2.3
Lower income tax rates applicable to income in certain foreign countries.....	(3.7)
Tax credit.....	(2.6)
Other.....	1.2
Actual effective tax rate.....	<u>45.3%</u>

## 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)
2001.....	¥ 610	\$ 5,810
2002.....	511	4,867
2003.....	349	3,324
2004.....	120	1,143
2005 and thereafter.....	37	352

Rental expenses charged to income for the years ended 31st March, 2000 and 1999 were ¥733 million (\$6,981 thousand) and ¥900 million, respectively.

## 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.

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

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

	(millions of yen)		(thousands of US dollars)
	2000	1999	2000
Gain (loss) on sale of property, plant and equipment.....	(¥ 33)	¥ 5	(\$ 314)
Gain on sale of securities.....	6,144	9,220	58,514
Write-down of securities.....	(657)	(810)	(6,257)
Loss on disposal of a segment of a business.....	(2,331)	—	(22,200)
Other, net.....	(2,458)	(937)	(23,410)
	<u>¥ 665</u>	<u>¥ 7,478</u>	<u>\$ 6,333</u>

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## 11. COMMITMENTS AND CONTINGENCIES:

Contingent liabilities at 31st March, 2000 and 1999 for trade notes discounted with banks and trade-notes delivered with endorsements for payments amounted to ¥1,806 million (\$17,200 thousand) and ¥1,540 million, respectively. Contingent liabilities at 31st March, 2000 and 1999 for loans guaranteed amounted to ¥1,539 million (\$14,657 thousand) and ¥1,048 million, respectively.

Commitments for capital expenditures outstanding at 31st March, 2000 and 1999 were in the approximate amounts of ¥4,563 million (\$43,457 thousand) and ¥11,021 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) .....	¥ 796	\$ 7,581
Directors' bonuses .....	50	476

### Independent Auditors' Report

To the Board of Directors of  
Nisshinbo Industries, Inc.

We have audited the consolidated balance sheets of Nisshinbo Industries, Inc. and consolidated subsidiaries as of 31st March, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied 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 financial position of Nisshinbo Industries, Inc. and consolidated subsidiaries as of 31st March, 2000 and 1999, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles and practices generally accepted in Japan applied.

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, 2000  
Tokyo, Japan

# BOARD OF DIRECTORS AND STATUTORY AUDITORS

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<i>Chairman</i> Akihiro Mochizuki	<i>Executive Director</i> Tsuyoshi Sugaizumi	<i>Director</i> Akira Baba	<i>Standing Statutory Auditor</i> Shinsuke Takahashi
	<i>Executive Director</i> Yoshimasa Hasegawa	<i>Director</i> Kenji Tasaki	<i>Statutory Auditor</i> Masaaki Nagai
<i>President</i> Yoshikazu Sashida	<i>Executive Director</i> Kohshi Fujino	<i>Director</i> Takashi Iwashita	<i>Statutory Auditor</i> Tetsuo Furuya
	<i>Executive Director</i> Hisayoshi Arata	<i>Director</i> Kunihiro Toda	<i>Statutory Auditor</i> Hiroshi Yokomizo
<i>Senior Executive Director</i> Yukio Hosoya	<i>Executive Director</i> Tadashi Nakai	<i>Director</i> Yasuo Takeuchi	
<i>Senior Executive Director</i> Hisao Ishikawa	<i>Executive Director</i> Hiroshi Nogami	<i>Director</i> Masao Kinoshita	
		<i>Director</i> Hajime Takagiwa	

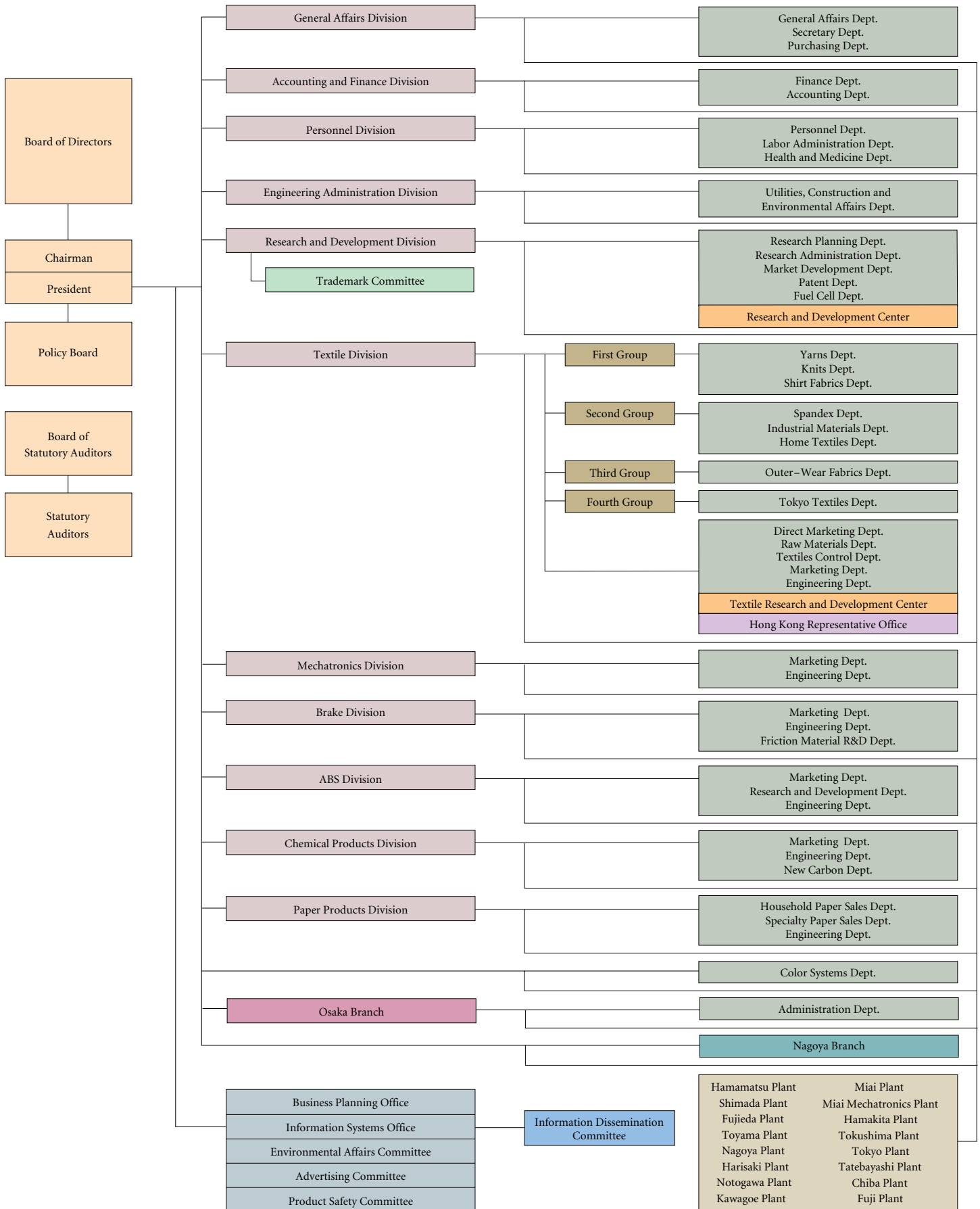
## C O R P O R A T E   D A T A

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<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-machi, 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>Employees:</b>	Parent Company 4,752 Subsidiaries 3,483 Total 8,235
<b>Common Stock:</b>	
<b>Par Value:</b>	¥50 — US\$0.48
<b>Authorized:</b>	391,000,000 shares
<b>Issued:</b>	227,443,939 shares ¥27,588 million — US\$263 million
<b>Shareholders:</b>	16,039

# O R G A N I Z A T I O N C H A R T





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