

ANNUAL REPORT 2001



# Profile

Nissei Sangyo Co., Ltd. was established in 1947 as a Hitachi Group trading company. For more than half a century, we have brought outstanding products and systems to customers in countries all over the world. We are a unique trading company that specializes in cutting-edge technology ranging from scientific to industrial systems and advanced industrial components and materials, with an emphasis on electronics. Our extensive network covers 20 countries with about 50 centers and also enables us to maximize our outstanding information collection capacity and coordination skills. Meanwhile, as sales engineers, 60% of our sales personnel are experts in handling state-of-the-art products, gaining high levels of customer trust.

In the future, Nissei Sangyo will continue to supply products that provide value to customers, using its marketing, engineering and software skills as a global business creator that responds promptly to the needs of industry worldwide.

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# Financial Highlights

Nissei Sangyo Co., Ltd.

## Non-Consolidated Data

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	2001
<b>Operating results</b>				
Net sales	<b>¥579,738</b>	¥539,217	¥549,708	<b>\$4,679,083</b>
Operating income	<b>9,476</b>	6,312	6,243	<b>76,485</b>
Income before income taxes	<b>9,801</b>	7,977	7,538	<b>79,111</b>
Net income	<b>5,562</b>	4,366	3,815	<b>44,898</b>

## Consolidated Data

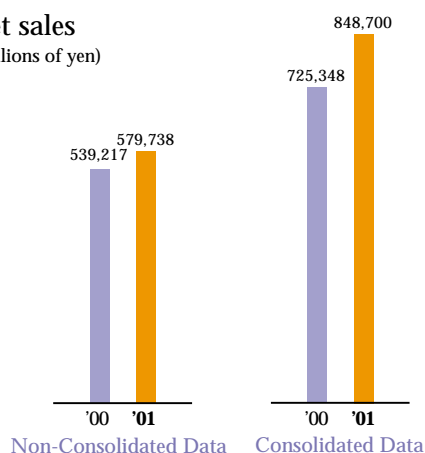
	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	2001
<b>Operating results</b>				
Net sales	<b>¥848,700</b>	¥725,348	¥733,204	<b>\$6,849,879</b>
Operating income	<b>14,688</b>	8,275	9,167	<b>118,547</b>
Income before income taxes	<b>13,770</b>	9,795	10,529	<b>111,138</b>
Net income	<b>7,691</b>	5,386	5,540	<b>62,074</b>

Notes: 1. Figures of less than ¥1 million or \$1,000 are rounded.

2. U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥123.90=U.S.\$1.00.

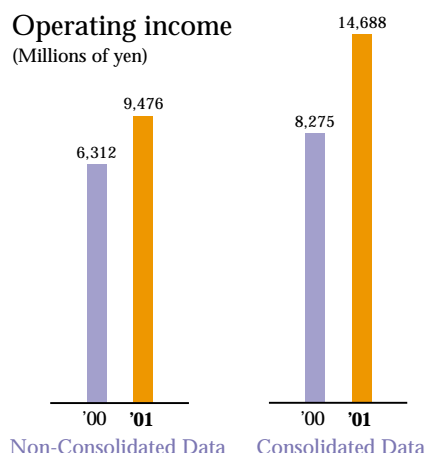
### Net sales

(Millions of yen)



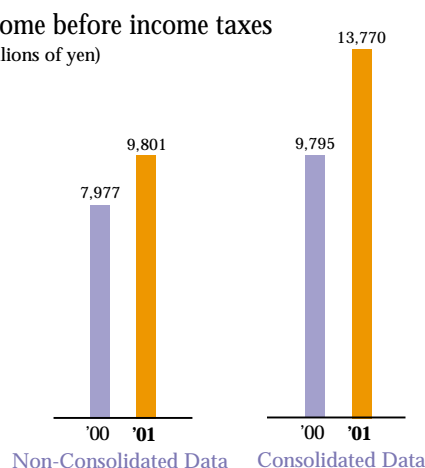
### Operating income

(Millions of yen)



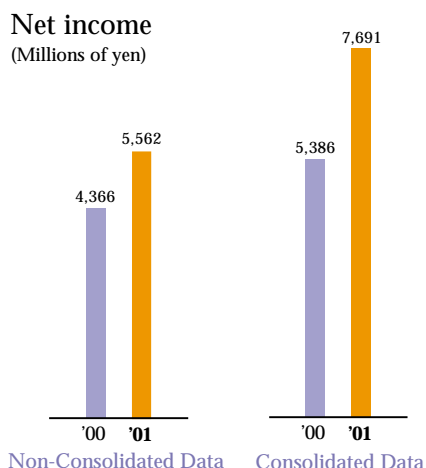
### Income before income taxes

(Millions of yen)



### Net income

(Millions of yen)



# To Our Shareholders



**Noriaki Higuchi**  
*President*

## Market Conditions

During the year under review, the U.S. economy showed clear signs of cooling, particularly in the second half of 2000. Despite this slowing of the world's economic engine, the economies of Europe and Asia exhibited low but relatively steady expansion. In Japan, although private capital investment picked up in certain areas—mainly mobile communications, digital appliances and other IT-related sectors—employment conditions remained bleak and consumer spending continued to stagnate.

## Business Results

In this business environment, Nissei Sangyo focused management resources on growth areas such as semiconductors and information and communication technologies. As a result of our efforts to develop competitive new businesses, we saw significant advances in semiconductor manufacturing equipment, primarily scanning electron microscopes (SEMs), and in optical communications components for optical wavelength division multiplexing (WDM) systems.

For the year under review, Nissei Sangyo recorded net sales of ¥848,700 million (up 17.0% year on year), operating income of ¥14,688 million (up 77.5%), income before taxes and minority interests of ¥13,770 million (up 40.6%), and net income of ¥7,691 million (up 42.8%). Growth was achieved in each category, and the Company posted record highs for both income before income taxes and minority interests and net income.

While seeking to enhance our financial position and management base, Nissei Sangyo's basic policy is to return a reasonable share of profits to our shareholders. Specifically, one goal of group management is for subsidiaries to post dividend payments at a rate of 25%. Moreover, we are committed to a dividend payout ratio in the area of 40% for our shareholders. Based on this commitment, the Company will pay dividends to shareholders based on the record profits in the year under review, which marked the sixth consecutive year of profit

growth. Moreover as this is the final fiscal year for the Company under its current name to express our gratitude to shareholders for their encouragement over the years and request their continued support for our business integration in October 2001, we have decided to provide a commemorative dividend of ¥5 per share in addition to the common dividend of ¥12.5 per share. Combining these with the interim dividend of ¥12.5 per share brings the total annual dividend to ¥30 per share.

The Company will use internal reserves to invest in securing and expanding commercial rights and developing new businesses as well as in establishing a more profitable structure and improving management efficiency. In this way, we will continue our efforts to enhance the Company's competitive strength.

#### Management Strategy

Nissei Sangyo is currently implementing NS2002, our consolidated mid-term management plan extending from fiscal 2000 to fiscal 2002. The plan adheres to the basic tenet of maximizing our competence as a global business creator. Based on a management strategy that focuses on developing high value-added businesses and focusing on core businesses, we will actively promote the formation of strategic partnerships, including capital participation and alliances, in the five fields of semiconductors, information and communication technologies, digital media, life sciences, and the environment, as well as in the two business categories of government and imports. These are areas in which the Company can expect to expand market share as well as demonstrate the strengths of the Nissei Sangyo Group.

The Instruments Group and the Semiconductor Manufacturing Equipment Group of Hitachi, Ltd. will merge with Nissei Sangyo on October 1, 2001. In addition, operations related to clinical testing systems from the Instruments Group of Hitachi Medical Corp. will be transferred to Nissei Sangyo. To convey the message to shareholders that Nissei Sangyo is being reborn with the

addition of manufacturing capabilities, the Company will change its name to Hitachi High-Technologies Corp. These moves will join Hitachi's technological strengths to Nissei Sangyo's market development and sales capabilities. By building an integrated organization that includes the development, manufacture, sale and servicing of instruments and semiconductor manufacturing equipment, the Company aims to become a global leader able to anticipate market changes and customer needs, undertake rapid product development, and offer optimum solutions.

#### Outlook

Concerning the future business environment, despite concerns caused by stagnation in the semiconductor market and a slowdown in the optical communications market, the coming fiscal year should see rapid progress in our business integration. Under these conditions, we aim to improve the business planning and global sales capabilities we have developed to date as a trading company. We will work to create synergies with the advanced technologies and product development capabilities of Hitachi, Ltd., in order to develop new businesses in high-tech industries. With a new name and new mandate, we will strive to enhance market competitiveness and increase corporate value by capitalizing on the effects of these synergies.



Noriaki Higuchi  
*President*  
June 2001

# Integration of Operations

## Frequently Asked Questions Concerning the Integration of Operations

On October 1, 2001, Nissei Sangyo Co., Ltd. will integrate operations with Hitachi's Instruments Group and Semiconductor Manufacturing Equipment Group. Below are answers to some of the most common questions that we have received about the integration.

**Q: What is the objective of integrating operations with Hitachi's Instruments Group and Semiconductor Manufacturing Equipment Group?**

**A:** The Instruments Group and the Semiconductor Manufacturing Equipment Group of Hitachi, Ltd. have been producing semiconductor manufacturing, inspection and evaluation equipment, clinical testing equipment, and electron microscopes and microanalyzers for use in the semiconductor, materials, medicine and biotechnology fields. By maximizing synergies with Nissei Sangyo's global sales capabilities, Hitachi, possessing world-leading technologies in these areas, has expanded operations up to the present time. However, because the semiconductor manufacturing equipment and biotechnology-related equipment markets are areas in which the most advanced technologies are found, the development of new technologies ahead of other companies and the provision of optimum solutions to meet customer needs are indispensable conditions for survival.

Utilizing the combined strengths of Hitachi's advanced technologies and product development capabilities and Nissei Sangyo's powerful sales capabilities, we aim to form a corporation that is a world leader in these areas. In this way, we will be able to anticipate changes in the market and in customer needs, undertaking rapid product development and providing optimum solutions.

**Q: Why is Nissei Sangyo changing its name?**

**A:** We will be reborn as a single corporation encompassing manufacturing, sales and service capabilities. In addition to

our informing the market, customers, and our many stakeholders of this change, from October 1, 2001, Nissei Sangyo's name change to Hitachi High-Technologies Corporation will help the new company to make rapid progress in today's competitive business climate.

**Q: What will happen to existing corporate functions?**

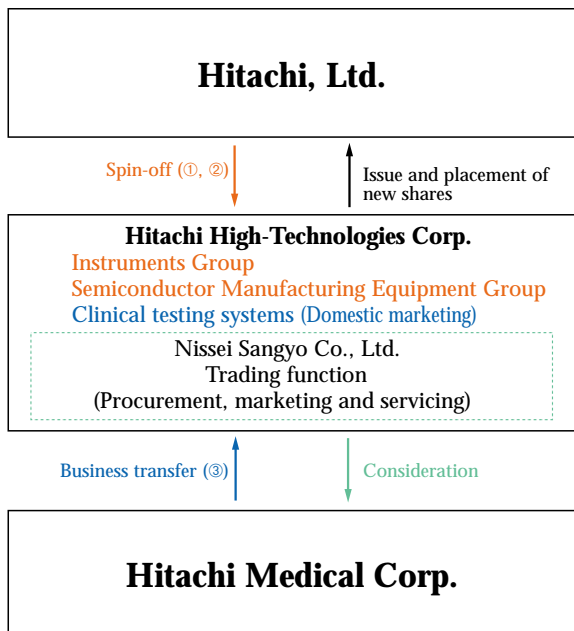
**A:** The sales functions of existing departments—Scientific Instruments and Production Systems, Information Systems and Electronic Components, and Advanced Industrial Products—will continue. In addition, the integration of our operations will give us new manufacturing capabilities for instruments and semiconductor manufacturing equipment. Specifically, an integrated organization encompassing all aspects from development to manufacturing, sales, and service for nanotechnology—including semiconductor manufacturing equipment and biotechnology-related products—will be established within the Scientific Instruments, and Production Systems Department. We will work to create new business and to bolster our performance by maximizing the effect of these synergies.

In our Information Systems and Electronic Components and Advanced Industrial Products departments, and in the operations of our affiliates, we will work to further strengthen and enhance our corporate capabilities and make every effort to offer the best solutions advanced technology can provide.

**Q: On what legal basis is the integration being carried out?**

**A:** Since April 2001, provisions covering corporate spin-offs have been adopted in Japan. The system, established by amendments to the Commercial Code in May 2000, was devised to enable all or part of a company's operations to be absorbed by another firm. These provisions were put in place to facilitate the flexible restructuring of corporations, allowing them to avoid unnecessarily complex procedures. The "spin-off" employed in our integration will be undertaken according to the "separation-merger" method, in which the sales organizations of a company that have been spun off are taken over by an existing company (merged) with the divesting company to receive an allocation of common stock (separation).

## Restructuring Scheme



The spin-off system was introduced as a result of the 2000 revision of the Commercial Code (Promulgation: May 31, 2000, Enforcement: April 1, 2001). Under the new system, a corporation may transfer all or a part of its business to another firm. The new rules were specifically designed to eliminate complicated formalities, allowing a flexible approach to corporate restructuring.

The planned spin-off is a merger through spin-off, in which the company splitting its operations will transfer the operations being spun off to an existing entity (merger through spin-off) and receive consideration in the form of new shares issued by the successor of the operations (group-type organization).

### Q: Will Nissei Sangyo continue to be listed on the stock exchange after the integration of operations?

**A:** The Company will inherit operations after the integration and will continue to publicly list shares to maintain and strengthen its competitiveness. Continuing to list shares will result in increased opportunities to expand business and will further enhance the high degree of trust that we enjoy, which enables us to raise capital and develop human resources.

### Q: What are the advantages to shareholders of this integration of operations?

**A:** Although the issue of new shares will increase the number of outstanding shares, corporate profit will grow as

a result of strengthened operational competitiveness. Since dividend payments will be maintained at around 40%, the integration will yield benefits for shareholders, through profit distribution as net income per share increases.

### Q: What will happen concerning the integration of overseas offices?

**A:** Legal systems vary by country, but we intend to carry out the integration of overseas operations as soon as possible, aiming for completion one year after establishment of the new corporation. To this end, both parties are investigating what form the integration should take, so as to effect the changes to maximum advantage.

### Q: What will the scale of operations be for the new company, and how will this break down into different segments?

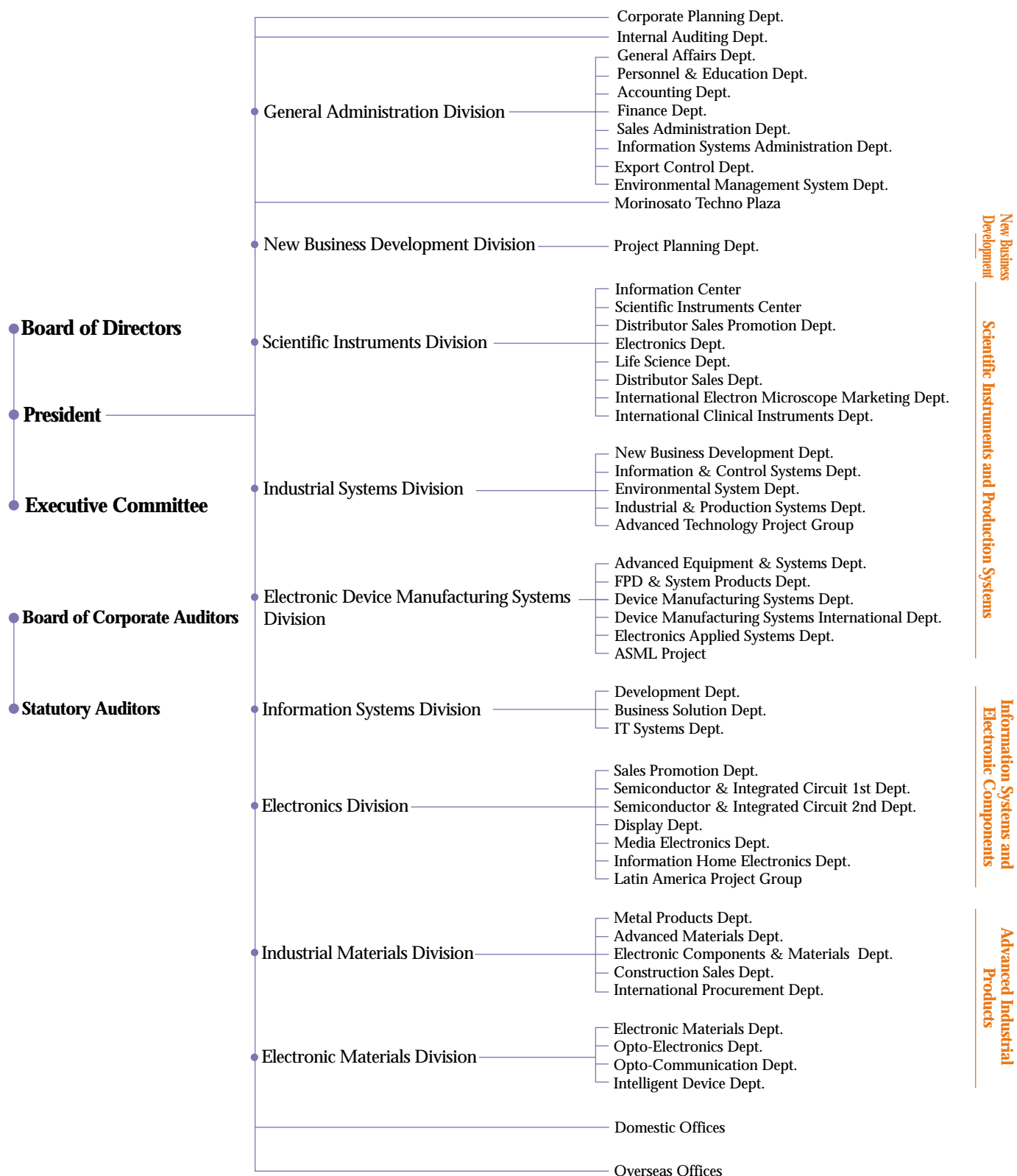
**A:** On a consolidated basis, the outlook for fiscal 2002 calls for net sales of ¥900 billion, income before income taxes of ¥30 billion, net income of ¥16.5 billion, and return on equity of 10.2%. By segment, the projected share of net sales for Scientific Instruments and Production Systems is 39%; Information Systems and Electronic Components, 28%; and Advanced Industrial Products, 33%. Scientific Instruments and Production Systems is expected to contribute 77% of operating income, Information Systems and Electronic Components, 8%, and Advanced Industrial Products, 15%.

### Q: To which particular areas will the new company pay special attention?

**A:** As areas of high priority, we will continue to devote our utmost efforts to the five fields of semiconductors, information and communication technologies, digital media, life sciences and the environment, as well as the two business categories of “government” and “imports,” as set out in the NS2002 mid-term management plan.

# Division Strategy

## Nissei Sangyo Corporate Structure





## Scientific Instruments and Production Systems

Nissei Sangyo's scientific instruments and production systems segment handles a wide range of products—from analytical systems that support research and development in advanced technologies like biotechnology, to information control systems, semiconductor manufacturing equipment and other industrial instruments and systems that contribute to improving manufacturing efficiency.

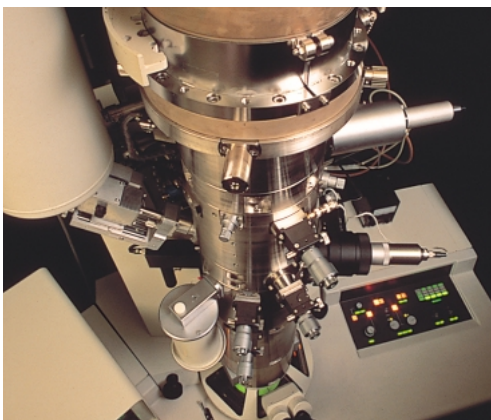
Nissei Sangyo is especially focused on analytical systems, supplying a complete line of Hitachi Group products that employ world-class technologies, as well as marketing products from leading U.S. and European manufacturers in Japan and overseas. Moreover, Nissei Sangyo strives to promote sales by proposing systems to improve the efficiency of research and development and quality control. The Company is responding to demand for LAN construction by cooperating with Nissei Software Inc., a member of the Nissei Sangyo Group. The Company further offers complete aftercare services through its partnership with Hitachi Instruments Service Co., Ltd.

Nissei Sangyo supplies customers in a wide range of industries from petrochemicals to food products with the best-suited manufacturing equipment from individual instruments to computer integrated manufacturing (CIM). The Company also plays a role in protecting the global environment by handling a variety of environmental instruments and systems that perform air and water

pollution monitoring and other functions. In growth areas such as semiconductor manufacturing systems and liquid-crystal-related equipment, the Company brings together the world's leading products to meet the increasingly sophisticated needs of its customers.

Looking at fiscal 2000 results, despite a slowdown in the fiscal second half, sales of electron microscopes (SEMs) and microanalyzers and other semiconductor manufacturing-related equipment, of electronic components mounting equipment, and of liquid crystal manufacturing equipment increased significantly both in Japan and overseas. Moreover, sales of new products such as steppers and organic electro-luminescence manufacturing equipment contributed to an expansion of the Company's business.

Nissei Sangyo will continue to actively propose and deliver superior products and systems, to contribute to global research and development of advanced technologies and improved manufacturing efficiency, and to strive to enhance its development and proposal capabilities as a unique technology provider capable of creating high added value.



## Information Systems and Electronic Components

Nissei Sangyo's information systems and electronic components segment supplies hardware such as network-related products and various computer systems in response to the continuing rapid development of the Internet. The Company also delivers top-quality software integration solutions through its systems engineering department and is actively engaged as an application service provider (ASP) that offers short-term, low-cost solutions and an information provider that offers electronic delivery of financial reports and other services.

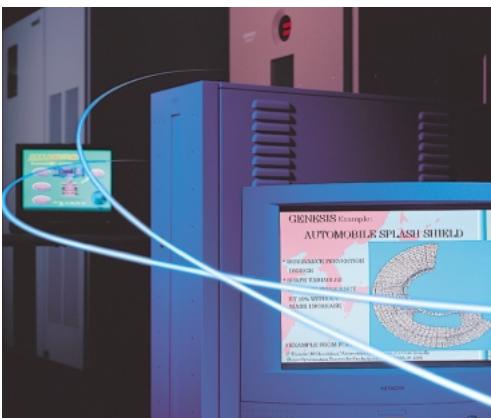
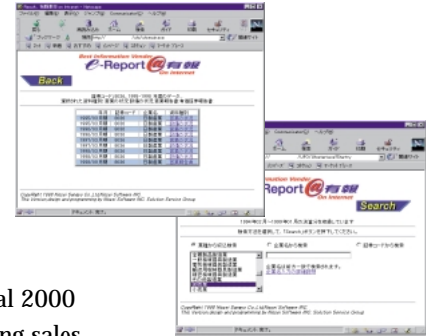
Nissei Sangyo is also involved in importing and exporting a wide array of products from secondary batteries to digital media-related equipment to a variety of electronic devices including liquid crystal products, flat panel displays and, of course, semiconductors, whose expanding range of applications drive technological innovation. The Company is winning great acclaim around the world for its ability to maintain a stable supply of goods and develop products that accurately address market needs in each country. Moreover, Nissei Sangyo is responding to the diversification and higher performance of electronics-application equipment by offering customized general-purpose products. The Company is fully prepared to promptly

supply the latest cutting-edge electronic components and products and is addressing needs for digital media-related equipment.

Regarding fiscal 2000 results, areas reporting sales growth included the solutions business, which supports the Company's semiconductor manufacturing customers, and microcomputer modules for mobile phones, which are marketed through the Company's worldwide sales network.

Nevertheless, overall sales in this segment declined as the Company withdrew from the U.S. monitor market and suffered a major drop in sales of color display tubes as a result of falling prices.

Nissei Sangyo will continue to hone its skills in software development and systems integration while actively pursuing higher distribution efficiency, as well as use its extensive overseas network to expand its global offering of advanced products and services.

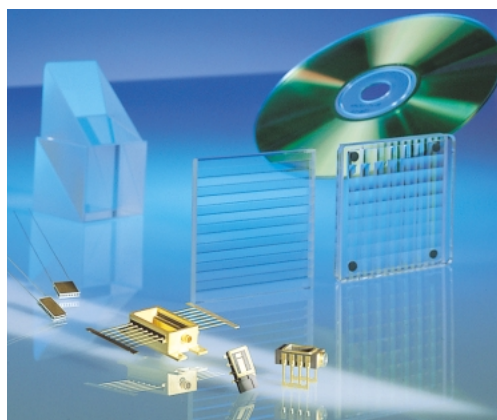


## Advanced Industrial Products

Nissei Sangyo's advanced industrial products segment handles a variety of materials. These include semiconductors, liquid crystal products and other electronic devices; steel, nonferrous materials and other metals; and synthetic resins, synthetic fibers and other functional materials. The Company also supplies a variety of sophisticated high-quality materials to a broad range of industries, and is moving into new materials in anticipation of future needs.

Nissei Sangyo endeavors to provide relevant information and cooperate with development departments at supplying manufacturers to reflect customer needs in product development. The Company is winning especially high regard in the field of electronic materials for its capability for total supply of all materials related to a product.

In addition to materials, Nissei Sangyo is handling more system products such as registration and authentication systems and is making aggressive efforts to develop new markets in advanced fields. These include fine chemicals, organic and inorganic chemicals and other chemical products; new ceramics and other new materials; and telecommunications and opto-electronics related products that support digital media. The Company also handles materials closely related to global environmental protection, including new energy and superconducting materials.



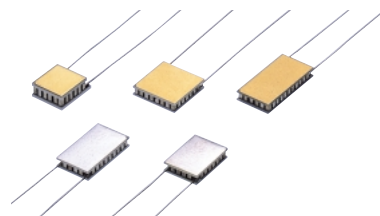
Nissei Sangyo has earned a solid reputation for its construction-related materials as well. The Company has handled an assortment of interior and exterior

construction materials for a number of years, and is capable of meeting a variety of needs based on its wealth of accumulated experience and expertise.

Regarding fiscal 2000 results, overall sales in this segment grew substantially despite a fourth quarter slump in the U.S. market for optical communications components for optical wavelength division multiplexing (WDM) systems.

Moreover, although PC and mobile phone markets swung drastically from growth to stagnation, sales of PC-related products and silicon wafers remained flat.

Nissei Sangyo will continue its efforts to create added value and offer solutions that meet the needs of its customers by enhancing its position as a global manufacturer while developing new applications through a solid grasp of materials needs, which are growing more sophisticated every year in terms of reduced weight, increased precision and higher levels of heat radiation.



# Consolidated Affiliated Companies

## Hitachi Instruments Service Co., Ltd.



Tadashi Honkawa  
*President*

- Scientific instruments, industrial instruments product systems including after-sales servicing
- Paid-in capital: ¥360 million

This company is committed to providing prompt and total service based on customer satisfaction.

## Nissei Sangyo America, Ltd.



Kazuhiko Wakino  
*President*

- Scientific instruments, information systems, and sales of electronic components and devices
- Paid-in capital: US\$12 million

This company is committed to active investment and promotion of development in the growth areas that are leading the U.S. economy, the improvement of management efficiency, and assuring of profitability.

## Nissei Electronics, Ltd.



Akihiko Nozaki  
*President*

- Information systems, and sales of electronic components and devices
- Paid-in capital: ¥300 million

This company aims to develop an independent management strategy as a specialist trading company with expertise in information and electronics, and it has been actively developing its range of activities.

## Nissei Sangyo G.m.b.H. (Germany)



Katsumi Miyata  
*President*

- Scientific instruments, and sales of electronic devices and services
- Paid-in capital: DM5 million

This company is the Nissei Sangyo Group's key European operation and has aggressively developed its sales activities with a commitment to the principles of development and sound management.

## Nissei Mecs Corporation



Yasuyuki Naoba  
*President*

- Energy, automatic blood chemistry analyzers, and sales of electronic components and devices
- Paid-in capital: ¥200 million

This company is committed to innovation and sound management and seeks to contribute to social development by responding to needs in industry, applying its information skills to create advanced specialties and new value.

## Nissei Sangyo (Singapore) Pte. Ltd.



Yasuhiko Nishimura  
*President*

- Electronic components and devices, and sales of industrial instruments products systems
- Paid-in capital: US\$4 million

This company actively promotes the development of new products, customers and markets through cooperation between personnel dispatched from Japan and local employees, as well as assures high profitability through attention to sound management, while contributing to the region.

## Nissei Engineering Inc.



Mitsuru Iwase  
*President*

- Electronic devices (FA computer engineering) and sales of software
- Paid-in capital: ¥100 million

This company is committed to a role in the cutting-edge technology field, primarily in sales of industrial system-related equipment and electronics-related equipment, making full use of its technological expertise and human resources as an engineering company, and contributing to social development.

## Nissei Sangyo Hong Kong Ltd.



Ryohachi Fujii  
*President*

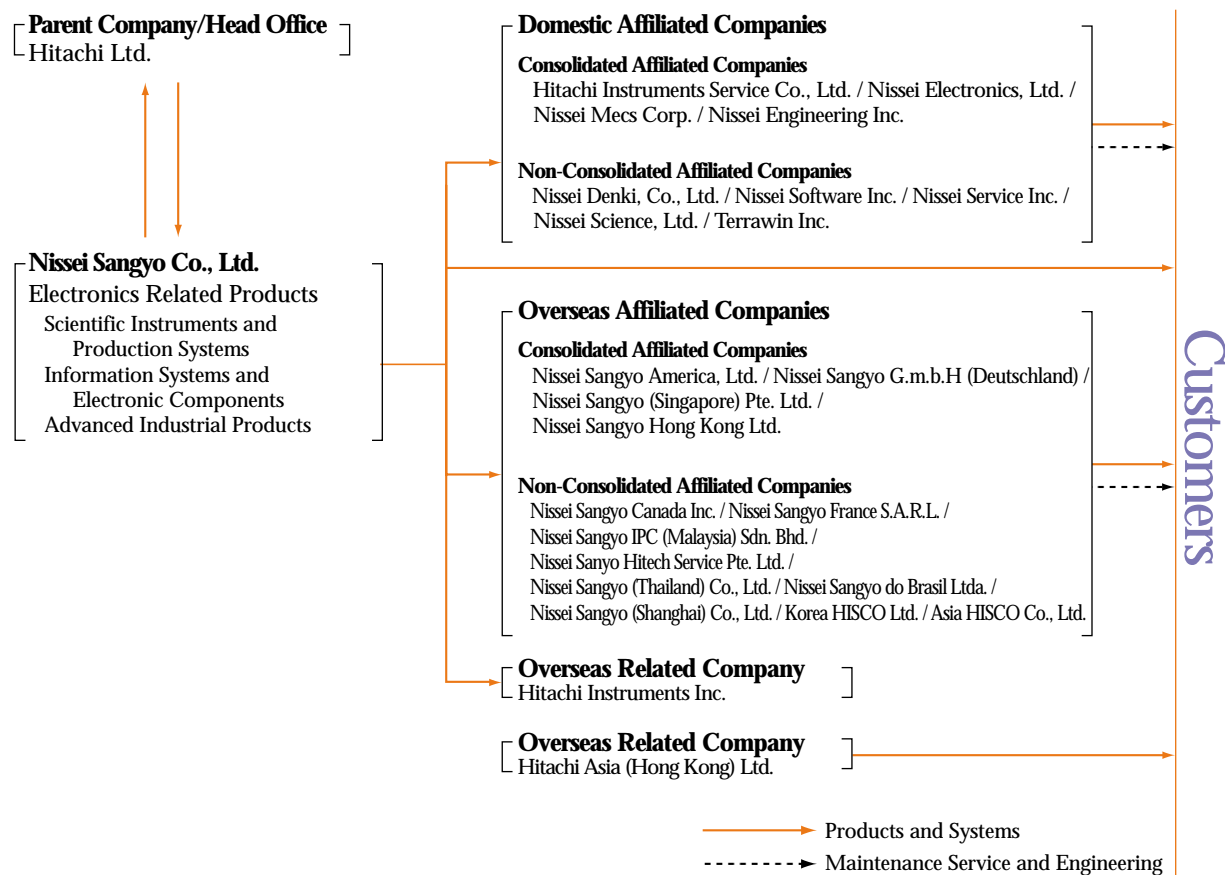
- Industrial machinery, electronic components and devices, and sales of metals and materials
- Paid-in capital: HK\$15 million

This company is committed to sound management, maintenance of income and promotion of development, and addresses these issues on a company-wide basis.

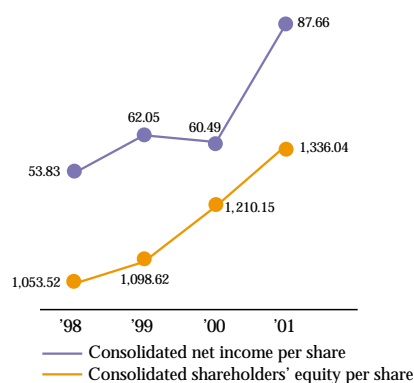


# Nissei Sangyo Group at a Glance

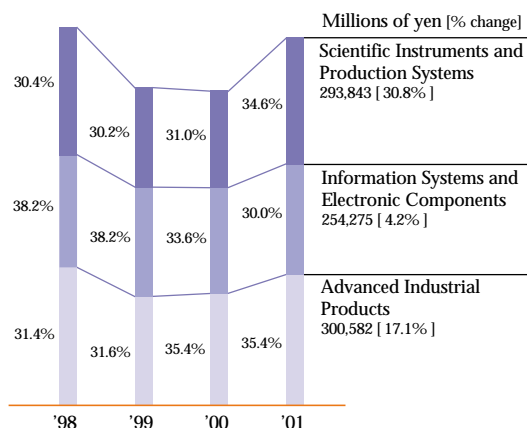
## Nissei Sangyo Consolidated Corporate Structure



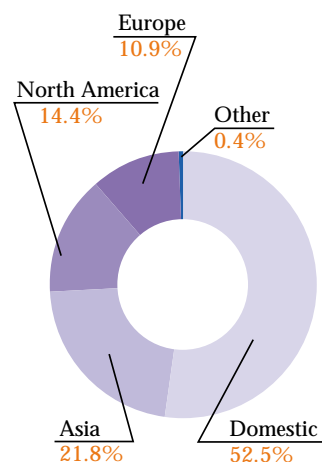
Consolidated shareholders' equity per share and Consolidated net income per share (¥)



Breakdown of consolidated net sales by segment (%)



Breakdown of consolidated domestic and overseas net sales (%)



# Nissei Sangyo Group Network

## Europe

### Nissei Sangyo Co., Ltd.

#### London Branch Office

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Fax. 44 (1628) 585391

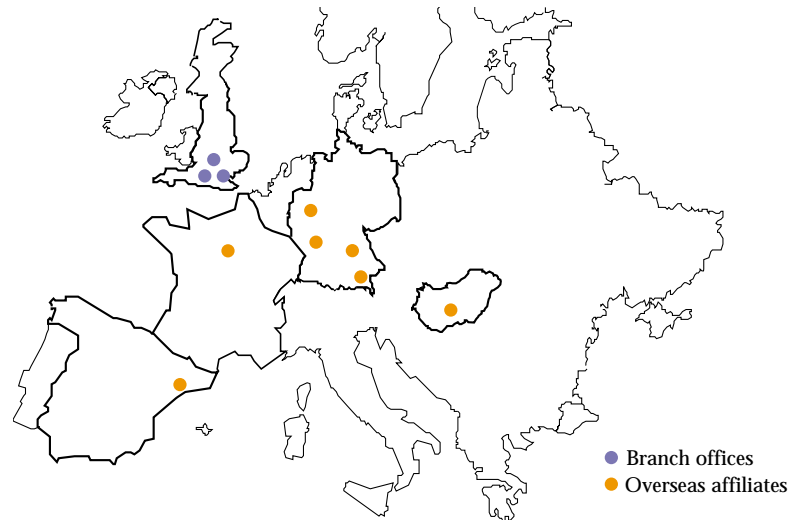
### Nissei Sangyo G.m.b.H. (Deutschland)

#### Head Office

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#### San Francisco Branch, Santa Clara Office

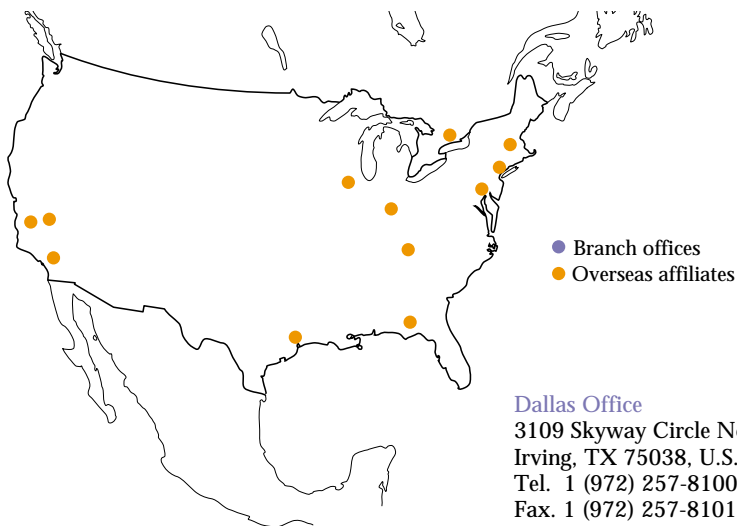
2901 Tasman Drive, Suite 110,  
Santa Clara, CA 95054, U.S.A.  
Tel. 1 (408) 387-1401  
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#### Boston Branch Office

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#### Los Angeles Office

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#### Dallas Office

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Irving, TX 75038, U.S.A.  
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Fax. 1 (770) 446-9761

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13102, Kuwait  
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#### Taipei Branch, Hsinchu Office

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Commerce & Industry Building,  
45, 4-Ka Namdaemun-ro, Chung-ku,  
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# Nissei Sangyo Group Network

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**Head Office**  
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Fax. 65-7353917

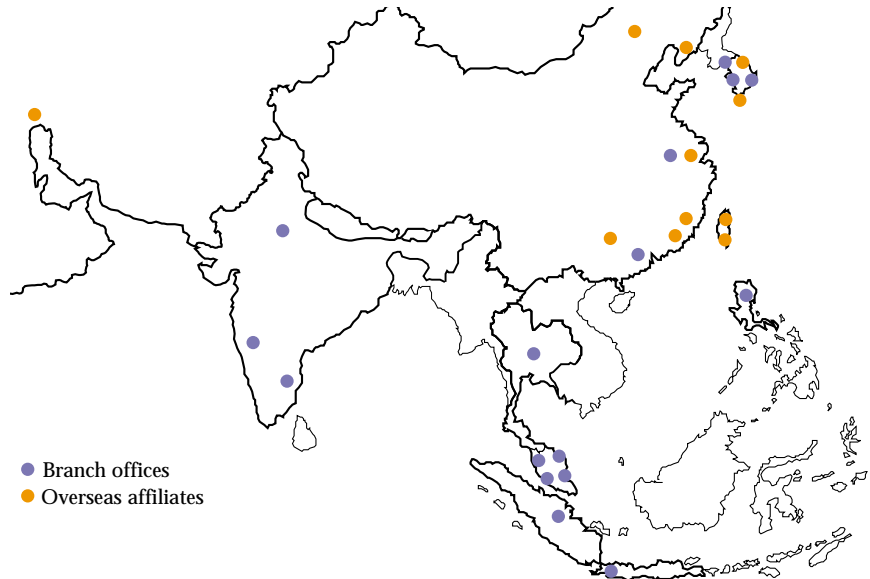
**Scientific Instruments Department**  
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Tel. 65-4812050  
Fax. 65-4818089

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Fax. 65-2768841

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Fax. 91 (80) 5550491

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Fax. 62 (21) 5739708



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● Overseas affiliates

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Fax. 63 (2) 7515139

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Fax. 60 (7) 334-9566

### Nissei Sangyo (Thailand) Co., Ltd.

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### Nissei Sanyo Hitech Service Pte. Ltd.

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# Japan

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## Korea HISCO Ltd.

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6F, SAMIK LAVIE D'OR Building, 720-2,  
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Fax. 82 (431) 273-0579

### Ichon Office

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Fax. 82 (336) 637-2128

### Giheung Office

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Fax. 81 (3) 3504-7123

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Fax. 81 (11) 271-1327

## Tohoku Branch Office

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Fax. 81 (22) 267-6453

## Ibaraki Branch Office

Tel. 81 (294) 23-7300  
Fax. 81 (294) 23-7635

## Tsukuba Branch Office

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Fax. 81 (298) 23-7897

## Yokohama Branch Office

Tel. 81 (45) 451-5151  
Fax. 81 (45) 451-5139

## Chubu Branch Office

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Fax. 81 (52) 583-5800

## Kansai Branch Office

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Fax. 81 (6) 4807-2516

## Chugoku Branch Office

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Fax. 81 (82) 221-4513

## Kyushu Branch Office

Tel. 81 (92) 721-3511  
Fax. 81 (92) 721-3518

### Hokuriku Sales Office

### Tochigi Sales Office

### Takasaki Sales Office

### Hamamatsu Sales Office

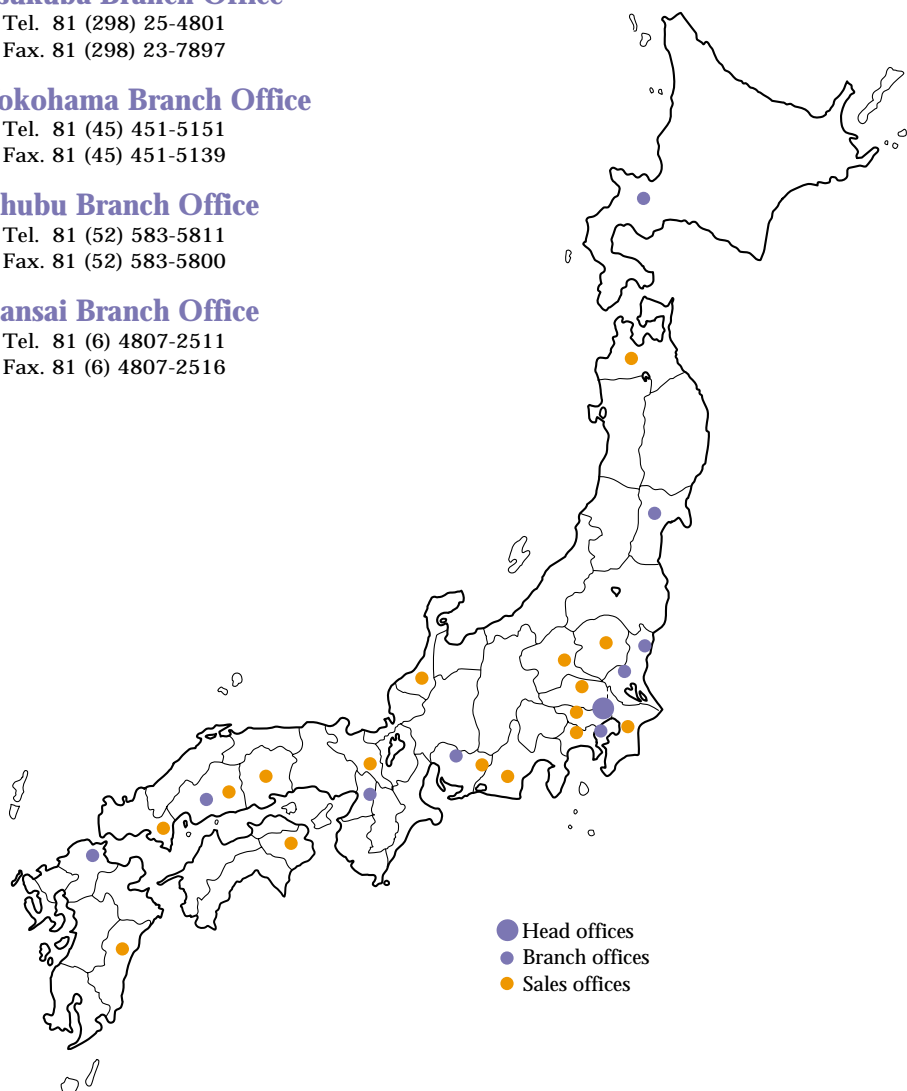
### Toyota Sales Office

### Kyoto Sales Office

### Shikoku Sales Office

### Minamikyushu Sales Office

### Mobara Office



- Head offices
- Branch offices
- Sales offices

# Board of Directors



President  
Noriaki Higuchi



Senior Executive Managing Director  
Ikuo Kinokuni



Executive Managing Director  
Yuichi Tsunoda



Executive Managing Director  
Wasuke Nakano



Executive Managing Director  
Kazuhiko Wakino



Executive Managing Director  
Seiji Okubo



Executive Managing Director  
Noriyuki Ichikawa



Board Director  
Yoshiro Kuwata



Board Director  
Toshihiro Sanematsu



Board Director  
Katsuji Yamashita



Board Director  
Iwao Ito



Board Director  
Masumi Miyauchi



Board Director  
Yasuhiko Nishimura



Board Director  
Akihisa Inagaki



Corporate Auditor  
Yasuhiko Kobata



Corporate Auditor  
Toru Kawachi



Corporate Auditor  
Shigemichi Matsuka



Corporate Auditor  
Kazuo Miura

(As of August 31, 2001)

# Consolidated Financial Section

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

## Contents

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# Consolidated Six-Year Summary

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

For the years ended March 31

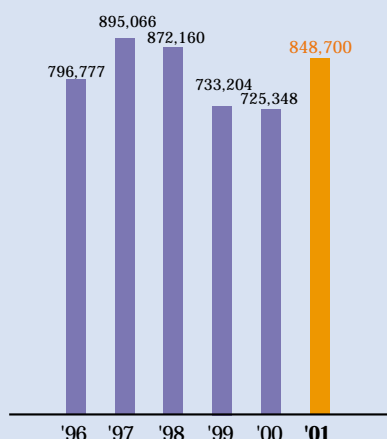
	Millions of yen						Thousands of U.S. dollars
	2001	2000	1999	1998	1997	1996	2001
Net sales	¥ 848,700	¥ 725,348	¥ 733,204	¥ 872,160	¥ 895,066	¥ 796,777	\$6,849,879
Operating income	14,688	8,275	9,167	8,974	6,819	6,616	118,547
Income before income taxes	13,770	9,795	10,529	9,972	8,233	8,356	111,138
Net income	7,691	5,386	5,540	4,771	2,954	3,972	62,074
Total assets	354,895	305,483	283,713	307,643	297,184	304,623	2,864,366
Shareholders' equity	117,220	106,173	98,091	94,066	91,699	89,951	946,086

	Yen						U.S. dollars
	2001	2000	1999	1998	1997	1996	2001
Net income per share	¥87.66	¥60.49	¥62.05	¥53.83	¥34.74	¥46.72	\$0.71

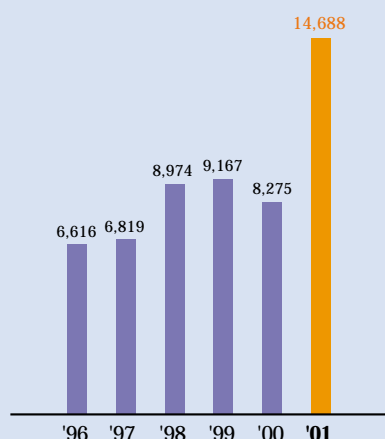
Notes: 1. Since 1997, figures of less than ¥ 1 million or \$1,000 have been rounded. For 1996, figures of less than ¥ 1 million or \$1,000 have been dropped.

2. U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥ 123.90=U.S.\$1.00.

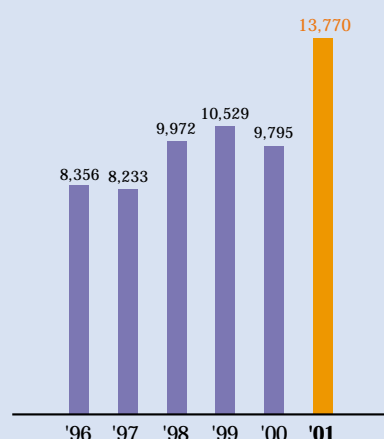
Net sales (Millions of yen)



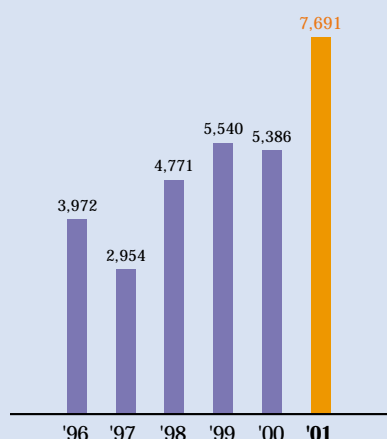
Operating income (Millions of yen)



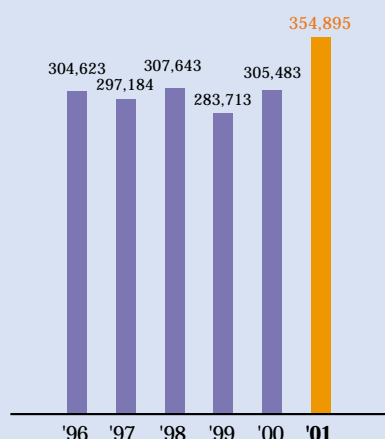
Income before income taxes (Millions of yen)



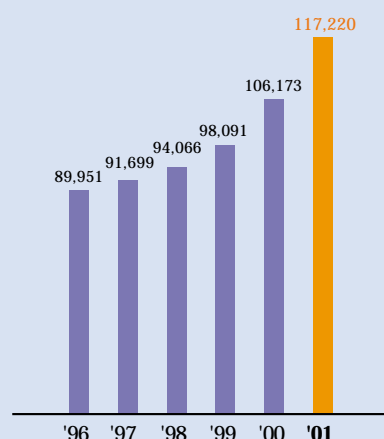
Net income (Millions of yen)



Total assets (Millions of yen)



Shareholders' equity (Millions of yen)



# Consolidated Balance Sheets

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

As of March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash on hand and in banks	¥ 43,563	¥ 44,346	\$ 351,598
Marketable securities	4,417	11,472	35,650
Trade receivables:			
Notes	23,261	23,442	187,740
Accounts	169,979	136,769	1,371,904
Less: allowance for doubtful receivables	(1,889)	(1,412)	(15,246)
Advances to suppliers	2,813	1,169	22,704
Inventories	18,407	12,409	148,563
Deferred tax assets	5,079	4,523	40,993
Other current assets	3,180	3,817	25,666
Total current assets	268,810	236,535	2,169,572
<b>Property, plant and equipment:</b>			
Land	19,614	19,690	158,305
Buildings and structures	19,404	19,367	156,610
Machinery and equipment	6,893	6,099	55,634
Less: accumulated depreciation	(13,292)	(12,361)	(107,280)
Net property, plant and equipment	32,619	32,795	263,269
<b>Investments and other assets:</b>			
Investments in securities:			
Subsidiaries and affiliates	5,768	4,392	46,554
Other securities	35,259	16,428	284,576
Lease and guaranty deposits	2,903	3,349	23,430
Deferred tax assets	2,582	3,261	20,839
Other assets	8,289	7,167	66,901
Less: allowance for doubtful receivables	(1,335)	(646)	(10,775)
Total investments and other assets	53,466	33,951	431,525
<b>Foreign currency translation adjustments</b>	—	2,202	—
Total assets	¥354,895	¥305,483	\$2,864,366

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Trade payables:			
Notes	¥ 40,431	¥ 38,852	\$ 326,320
Accounts	148,359	124,067	1,197,409
Advances from customers	12,236	9,880	98,757
Income taxes	7,082	2,711	57,159
Other current liabilities	15,314	16,566	123,600
Total current liabilities	223,422	192,076	1,803,245
<b>Long-term liabilities:</b>			
Deferred tax liabilities	907	—	7,320
Retirement and severance benefits	13,141	7,026	106,061
Total long-term liabilities	14,048	7,026	113,381
Total liabilities	237,470	199,102	1,916,626
Minority interests	205	208	1,654
<b>Shareholders' equity (Note 4):</b>			
Common stock ¥50 (\$0.40) par value:			
Authorized—148,450,000 shares			
Issued—87,738,730 shares in 2001 and 2000	5,438	5,438	43,890
Additional paid-in capital	9,695	9,695	78,249
Retained earnings	96,084	91,044	775,496
Net unrealized holding gain on securities	6,645	—	53,632
Foreign currency translation adjustments	(639)	—	(5,157)
Less: treasury stock, at cost, 1,863 shares in 2001 and 3,153 shares in 2000	(3)	(4)	(24)
Total shareholders' equity	117,220	106,173	946,086
<b>Commitments and contingent liabilities (Note 5)</b>			
Total liabilities, minority interests and shareholders' equity	¥354,895	¥305,483	\$2,864,366

# Consolidated Statements of Income

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
<b>Net sales</b>	<b>¥848,700</b>	<b>¥725,348</b>	<b>\$6,849,879</b>
<b>Cost of sales</b>	<b>787,632</b>	<b>673,704</b>	<b>6,356,998</b>
Gross profit	<b>61,068</b>	<b>51,644</b>	<b>492,881</b>
<b>Selling, general and administrative expenses</b>	<b>46,380</b>	<b>43,369</b>	<b>374,334</b>
Operating income	<b>14,688</b>	<b>8,275</b>	<b>118,547</b>
<b>Other income:</b>			
Interest	<b>1,763</b>	<b>1,173</b>	<b>14,229</b>
Dividends	<b>154</b>	<b>133</b>	<b>1,243</b>
Gain on sale of securities	<b>—</b>	<b>899</b>	<b>—</b>
Gain on sale of land	<b>1,990</b>	<b>—</b>	<b>16,061</b>
Others	<b>1,236</b>	<b>1,394</b>	<b>9,976</b>
Total other income	<b>5,143</b>	<b>3,599</b>	<b>41,509</b>
<b>Other deductions:</b>			
Interest	<b>146</b>	<b>131</b>	<b>1,178</b>
Prior service cost of employee pension fund	<b>—</b>	<b>1,155</b>	<b>—</b>
Amortization of transition difference arising from the adoption of the new accounting standard for retirement benefits	<b>4,612</b>	<b>—</b>	<b>37,224</b>
Others	<b>1,303</b>	<b>793</b>	<b>10,516</b>
Total other deductions	<b>6,061</b>	<b>2,079</b>	<b>48,918</b>
<b>Income before income taxes and minority interests</b>	<b>13,770</b>	<b>9,795</b>	<b>111,138</b>
<b>Income taxes — current</b>	<b>9,717</b>	<b>4,811</b>	<b>78,426</b>
— deferred	<b>(3,662)</b>	<b>(419)</b>	<b>(29,556)</b>
<b>Minority interests</b>	<b>24</b>	<b>17</b>	<b>194</b>
<b>Net income</b>	<b>¥ 7,691</b>	<b>¥ 5,386</b>	<b>\$ 62,074</b>

	Yen	U.S. dollars
<b>Net income per share</b>	<b>¥87.66</b>	<b>\$0.71</b>

See accompanying notes to consolidated financial statements.



# Consolidated Statements of Shareholders' Equity

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

For the years ended March 31, 2001 and 2000

	Issued and outstanding shares (thousands)	Millions of yen					
		Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gain on securities	Foreign currency translation adjustments	Treasury stock
<b>Balance at March 31, 1999</b>	89,289	¥5,438	¥9,695	¥82,961	—	—	¥(3)
Adjustments of prior year's deferred taxes	—	—	—	6,905	—	—	—
Net income for the year	—	—	—	5,386	—	—	—
Cash dividends	—	—	—	(2,009)	—	—	—
Retirement of treasury stock	(1,550)	—	—	(2,018)	—	—	—
Bonuses to directors	—	—	—	(181)	—	—	—
Increase in treasury stock	—	—	—	—	—	—	(1)
<b>Balance at March 31, 2000</b>	87,739	¥5,438	¥9,695	¥91,044	—	—	¥(4)
Net income for the year	—	—	—	7,691	—	—	—
Cash dividends	—	—	—	(2,413)	—	—	—
Bonuses to directors	—	—	—	(238)	—	—	—
Cumulative effect of change in accounting principle	—	—	—	—	¥6,645	—	—
Net charge during the year	—	—	—	—	—	¥(639)	—
Decrease in treasury stock	—	—	—	—	—	—	1
<b>Balance at March 31, 2001</b>	<b>87,739</b>	<b>¥5,438</b>	<b>¥9,695</b>	<b>¥96,084</b>	<b>¥6,645</b>	<b>¥(639)</b>	<b>¥(3)</b>

	Issued and outstanding shares (thousands)	Thousands of U.S. dollars					
		Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gain on securities	Foreign currency translation adjustments	Treasury stock
<b>Balance at March 31, 2000</b>	87,739	\$43,890	\$78,249	\$734,818	—	—	\$(32)
Net income for the year	—	—	—	62,074	—	—	—
Cash dividends	—	—	—	(19,475)	—	—	—
Bonuses to directors	—	—	—	(1,921)	—	—	—
Cumulative effect of change in accounting principle	—	—	—	—	\$53,632	—	—
Net charge during the year	—	—	—	—	—	\$(5,157)	—
Decrease in treasury stock	—	—	—	—	—	—	8
<b>Balance at March 31, 2001</b>	<b>87,739</b>	<b>\$43,890</b>	<b>\$78,249</b>	<b>\$775,496</b>	<b>\$53,632</b>	<b>\$(5,157)</b>	<b>\$(24)</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥13,770	¥ 9,795	\$111,138
Depreciation and amortization	1,966	1,825	15,867
Increase (decrease) in allowance and benefits	7,259	(906)	58,587
Interest income and dividend income	(1,917)	(1,306)	(15,472)
Interest expenses	146	131	1,178
Gain on sale of land	(1,990)	—	(16,061)
Other non-cash income and expenses	(551)	(223)	(4,447)
Bonuses to directors	(180)	(157)	(1,453)
Increase in trade receivables	(30,079)	(12,559)	(242,768)
Increase (decrease) in inventories	(5,419)	2,094	(43,737)
Increase in trade payables	22,241	16,546	179,508
Increase (decrease) in other assets and liabilities	(553)	5,626	(4,463)
Other	24	(855)	194
Sub-total	4,717	20,011	38,071
Receipts of interest and dividend income	1,941	1,365	15,666
Payments for interest	(146)	(131)	(1,178)
Payments for income taxes	(5,415)	(3,984)	(43,705)
Net cash provided by operating activities	1,097	17,261	8,854
<b>Cash flows from investing activities:</b>			
Increase in time deposits	(483)	—	(3,898)
Decrease in time deposits	—	20	—
Purchase of marketable securities	(1,999)	(2,080)	(16,134)
Proceeds from sale of marketable securities	3,273	4,496	26,416
Purchase of investment securities	(8,059)	(7,824)	(65,044)
Proceeds from sale of investment securities	2,000	1,031	16,142
Purchase of fixed assets	(2,065)	(2,224)	(16,667)
Proceeds from sale of fixed assets	2,233	209	18,023
Payments on loan	(1,500)	(1,000)	(12,107)
Proceeds from collection of loan	1,000	1,000	8,071
Purchase of other investment	(200)	(6,998)	(1,614)
Proceeds from sale of other investment	1,820	11,468	14,689
Net cash used in investing activities	(3,980)	(1,902)	(32,123)
<b>Cash flows from financing activities:</b>			
Decrease in short-term loans	(1,233)	(735)	(9,952)
Cash dividends	(2,413)	(2,009)	(19,475)
Retirement of treasury stock	—	(2,018)	—
Other	(7)	(5)	(56)
Net cash used in financing activities	(3,653)	(4,767)	(29,483)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	1,271	(1,619)	10,258
<b>Net increase (decrease) in cash and cash equivalents</b>	(5,265)	8,973	(42,494)
<b>Cash and cash equivalents at beginning of year</b>	48,260	39,287	389,508
<b>Cash and cash equivalents at end of year</b>	¥42,995	¥48,260	\$347,014

## ADJUSTMENT BETWEEN 'CASH ON HAND AND IN BANKS' ON CONSOLIDATED BALANCE SHEET AND 'CASH AND CASH EQUIVALENTS' ON CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Cash on hand and in banks on consolidated balance sheet	¥43,563	¥44,346	\$351,598
CP repurchase	—	3,999	—
Time deposits over 3 months maturity	(568)	(85)	(4,584)
Cash and cash equivalents on consolidated statements of cash flows	¥42,995	¥48,260	\$347,014

# Notes To Consolidated Financial Statements

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

## 1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the accounts maintained by Nissei Sangyo Co., Ltd. (the Company) and its domestic subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and those maintained by its foreign subsidiaries in conformity with those of the countries of their domicile.

In addition, the consolidated financial statements, including the notes to the consolidated financial statements, presented herein have been compiled from the consolidated financial statements filed with Securities Report of the Ministry of Finance (MOF report) as required by the Securities and Exchange Law of Japan and, for the convenience of readers outside Japan, certain items presented in the original financial statements have been reclassified in their presentation.

U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥123.90=US\$ 1.00.

## 2. CONSOLIDATED POLICY

The consolidated financial statements include the accounts of the Company and its significant majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The investments in significant nonconsolidated subsidiaries and affiliates are accounted for by the equity method.

Significant majority-owned subsidiaries:

Hitachi Instruments Service Co., Ltd.  
Nissei Electronics, Ltd.  
Nissei Mecs Corporation  
Nissei Engineering Inc.  
Nissei Sangyo America, Ltd.  
Nissei Sangyo G.m.b.H. (Deutschland)  
Nissei Sangyo (Singapore) Pte. Ltd.  
Nissei Sangyo Hong Kong Ltd.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A) Securities

Effective April 1, 2000, the Company adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council of Japan. Under this standard, securities are to be classified into one of such three categories as "trading securities" measured at fair value with unrealized holding gains and losses included in earnings, "held-to-maturity securities" measured at amortized cost, and "other securities."

Accordingly, the Company reviewed the purpose and classification of all securities held at the beginning of the period. Based on the review, all of securities are classified into other securities.

In its classified category, securities with maturities of less than one year are included in Marketable securities as current assets and all other securities are included in Investment in securities as non-current assets. As a result of the application of this standard, Marketable securities in the current assets amounted to ¥5,701 million were reclassified to the Investment in securities.

Other securities with a fair value are carried at fair value with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of shareholders' equity until realized. Other securities without a fair value are carried at cost.

In computing realized gain or loss, cost of other securities is principally determined by the moving average method.

### B) Inventories

Inventories are stated at cost. Cost is determined by the moving average method.

### C) Property, plant and equipment

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is computed principally by the declining balance method. However, depreciation of buildings booked from April 1, 1998 is computed by the straight-line method in conformity with amendment of corporate tax law in Japan.

### D) Retirement and severance benefits

Effective April 1, 2000, the Company adopted "Accounting Standard for Retirement Benefits" issued by the Business Accounting Deliberation Council of Japan. Under this standard, allowance for retirement and severance benefits for employees is provided based on the estimated retirement benefit obligation and the pension assets.

Differences of ¥5,149 million attributable to changes in accounting rules of retirement and severance benefits were amortized in the current consolidated accounting period.

Benefits also include provisions for retirement vested benefits for directors and statutory auditors determined according to pertinent rules of the Company, to which they are entitled if they were to retire or sever immediately at the balance sheet date.

### E) Translation of foreign currency accounts

Effective April 1, 2000, the Company adopted "Accounting Standards for Foreign Currency Transaction" issued by the Business Accounting Deliberation Council of Japan. Under this standard, foreign currency transactions are translated into yen on the basis of the rates in effect at the transaction date or, if only the relation between a foreign currency transaction and related firm forward exchange contracts meet the criteria or hedge accounting as regulated in "Accounting Standards for Financial Instruments," those covered by firm forward exchange contracts can be translated at such contracts rates.

### F) Hedge accounting standards

Effective April 1, 2000, the Company adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council of Japan. Under this standard, in principle, net assets or liability arising from derivative financial transaction is measured at fair value, with unrealized gain or loss included in earnings.

Hedging transaction, which meets the criteria of hedge accounting as regulated in the standards is accounted for using deferral hedge accounting, which requires the unrealized gain or loss to be deferred as a liability or asset until gain or loss relating to the hedge object is recognized.

And the Company adopts deferral hedge accounting for foreign exchange forward contracts to hedge the impact of exposure to exchange rate fluctuations on the balance of foreign currency denominated transactions on cash flow.

The Company, in accordance with its corporate philosophy of sound business management, uses financial derivative transactions—foreign exchange forward contracts—to reduce its exposure to exchange rate fluctuations. The Company does not hold or issue financial derivative instruments for trading purposes.

The Company assesses that a hedge is normally regarded as highly effective if, at inception and throughout the life of the hedge, the Company can expect changes in the fair value or the cash flow of the hedged item to be almost fully offset by the changes in the fair value or cash flows of the hedging instrument.

#### **G) Cash and cash equivalents**

Cash and cash equivalents include all highly liquid investments with insignificant risk of changes in value which have maturity of generally three months or less.

#### **H) Income taxes**

The Company and its consolidated domestic subsidiaries adopted “Accounting Standards for Deferred Income Taxes” issued by the Business Accounting Deliberation Council of Japan. The standards required that the deferred income taxes are accounted for based on the asset and liability method. Under the method, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

#### **I) Net income per share**

The computation of net income per share of common stock is based on the weighted average number of shares outstanding, less treasury stock, during each year, after giving retroactive effect to the free distribution of shares or stock splits.

### **4. SHAREHOLDERS' EQUITY**

#### **A) Common stock**

Under the Japanese Commercial Code, as amended effective October 1, 1992, at least 50% (but not less than the equivalent par value) of the aggregate amount of the offering price and/or conversion price of convertible bonds (upon conversion into common stock) issued after the effective date must be credited to the common stock account.

Any remaining excess of proceeds over amounts credited to the common stock account must be credited to additional paid-in capital.

#### **B) Foreign currency translation adjustments**

Foreign currency translation adjustments account stated in the assets section in prior periods is now included in the shareholders' equity section and the minority interest account.

### **5. COMMITMENTS AND CONTINGENT LIABILITIES**

At March 31, 2001 and 2000, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Export bills discounted	¥1,329	¥1,474	\$10,726
Guarantee of payment in business to associated companies and payment of loans granted by banks to employees	975	1,102	7,869
Notes receivable endorsed to suppliers	280	121	2,260
Total	¥2,584	¥2,697	\$20,855

### **6. THE MERGER WITH HITACHI'S INSTRUMENTS GROUP AND SEMICONDUCTOR MANUFACTURING EQUIPMENT GROUP**

In accordance with the legal provisions for corporate divisions effective April 1, 2001, which were introduced by the May 2000 amendment of the Commercial Code, the Company will merge (acquisition through corporate divisions) with two of Hitachi Ltd.'s business groups—the Instruments and Semiconductor Manufacturing Equipment groups. The merger will take effect on October 1, 2001.

The agreement on corporate divisions will be signed between the two parties on May 24, 2001, and will be subject to approval by the general shareholders' meeting scheduled for June 26, 2001.

Matters concerning the merger through corporate divisions are as follows:

#### **A) Objective of acquisition through corporate divisions**

The primary objective of the merger through corporate divisions with Hitachi, Ltd.'s instruments and semiconductor operations is to integrate manufacturing, marketing and service functions of these two business groups, to speed up decision making and leverage the synergy in order to enhance management efficiency, in addition to strengthening the competitive position by enhancing the scale of operations and developing new businesses.

#### **B) Method of acquisition through corporate divisions**

Hitachi, Ltd. will separate its two groups—the Instruments Group and the Semiconductor Manufacturing Equipment Group—which will be transferred to the Company. The Company shall issue 50,000,000 par value common shares on the date of the corporate divisions (October 1, 2001), for placement with Hitachi, Ltd.

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

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

## *Century Ota Showa & Co.*

Certified Public Accountants

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Chiyoda-ku, Tokyo 100-0011

C.P.O. Box 1196, Tokyo 100-8641

Phone: 03 3503-1100

Fax: 03 3503-1197

Mr. Noriaki Higuchi

President and Representative Director

Nissei Sangyo Co., Ltd.

We have audited the consolidated balance sheets of Nissei Sangyo Co., Ltd. and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income and shareholders' equity for the years then ended, and cash flows of two years in the period ended March 31, 2001, all expressed in yen ( not presented herein) in accordance with generally accepted auditing standards, procedures and practices in Japan. In our report dated June 26, 2001, we express an unqualified opinion on those consolidated financial statements in accordance with accounting principles generally accepted in Japan.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

June 26, 2001

*Century Ota Showa & Co.*

See Note 1 to the condensed consolidated financial statements which explains the basis of preparing the consolidated financial statements of Nissei Sangyo Co., Ltd. under Japanese accounting principles and practices.

# Financial Section

Nissei Sangyo Co., Ltd.

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# Six-Year Summary

Nissei Sangyo Co., Ltd.

For the years ended March 31

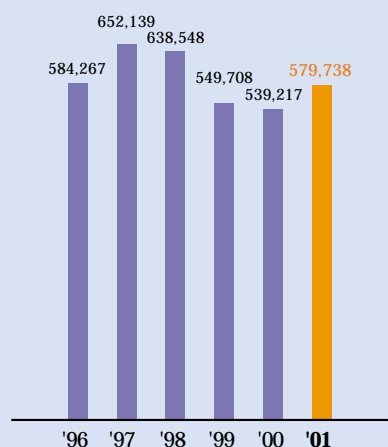
	Millions of yen						Thousands of U.S. dollars
	2001	2000	1999	1998	1997	1996	2001
Net sales	<b>¥579,738</b>	¥539,217	¥549,708	¥638,548	¥652,139	¥584,267	<b>\$4,679,083</b>
Operating income	<b>9,476</b>	6,312	6,243	5,867	4,579	3,265	<b>76,485</b>
Income before income taxes	<b>9,801</b>	7,977	7,538	7,111	6,016	5,055	<b>79,111</b>
Net income	<b>5,562</b>	4,366	3,815	3,704	2,740	2,451	<b>44,898</b>
Total assets	<b>257,958</b>	231,362	217,645	231,168	232,188	244,713	<b>2,081,988</b>
Shareholders' equity	<b>94,130</b>	84,481	79,991	77,605	76,230	74,610	<b>759,726</b>

	Yen						U.S. dollars
	2001	2000	1999	1998	1997	1996	2001
Net income per share	<b>¥63.40</b>	¥49.03	¥42.73	¥41.79	¥32.23	¥28.83	<b>\$0.51</b>

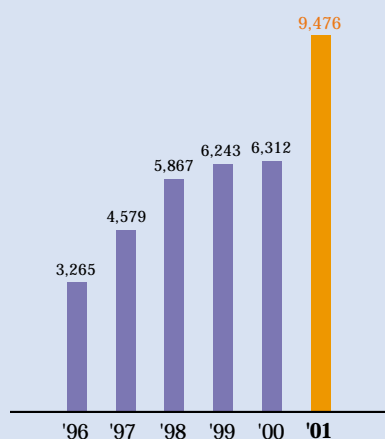
Notes: 1. All figures of less than ¥1 million or \$1,000 have been dropped.

2. U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥ 123.90=U.S.\$1.00.

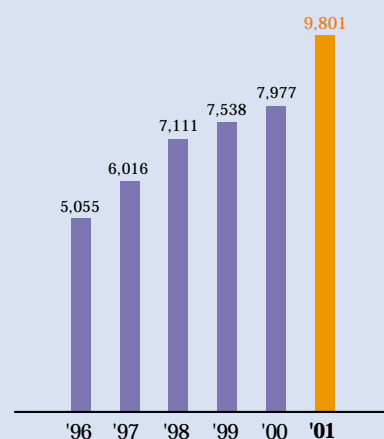
**Net sales** (Millions of yen)



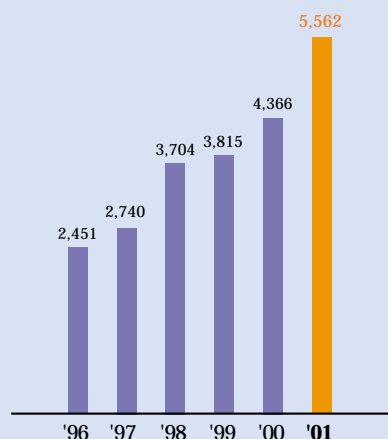
**Operating income** (Millions of yen)



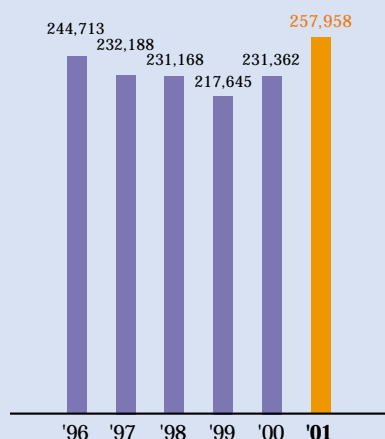
**Income before income taxes** (Millions of yen)



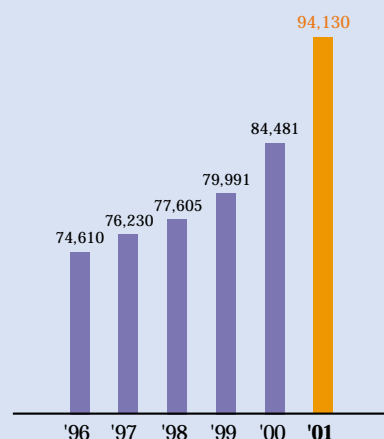
**Net income** (Millions of yen)



**Total assets** (Millions of yen)



**Shareholders' equity** (Millions of yen)





# Balance Sheets

Nissei Sangyo Co., Ltd.

As of March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash on hand and in banks	¥ 17,339	¥ 27,198	\$ 139,948
Marketable securities	4,417	11,288	35,657
Trade receivables:			
Notes	19,630	20,444	158,437
Accounts	124,434	100,861	1,004,315
Less: allowance for doubtful receivables	(1,081)	(830)	(8,724)
Advances to suppliers	2,611	1,027	21,078
Inventories	8,421	4,800	67,968
Deferred tax assets	3,078	2,430	24,842
Other current assets	2,553	3,525	20,611
Total current assets	181,406	170,745	1,464,134
<b>Property, plant and equipment:</b>			
Land	18,317	18,394	147,842
Buildings and structures	16,803	16,846	135,618
Machinery and equipment	3,504	3,674	28,282
Less: accumulated depreciation	(9,751)	(9,027)	(78,702)
Total property, plant and equipment	28,873	29,886	233,040
<b>Investments and other assets:</b>			
Investments in securities:			
Subsidiaries and affiliates	4,899	4,633	39,541
Other securities	34,911	16,347	281,773
Lease and guaranty deposits	1,906	2,280	15,387
Deferred tax assets	—	2,129	—
Other assets	7,239	6,049	58,434
Less: allowance for doubtful receivables	(1,279)	(709)	(10,324)
Total investments and other assets	47,678	30,729	384,812
Total assets	¥257,958	¥231,362	\$2,081,988

See accompanying notes to financial statements.



	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Trade payables:			
Notes	¥ 25,686	¥ 30,756	\$ 207,317
Accounts	108,267	94,961	873,833
Advances from customers	8,018	7,030	64,714
Income taxes	4,434	1,970	35,792
Accrued expenses	3,512	4,012	28,349
Other current liabilities	5,474	4,035	44,186
Total current liabilities	155,394	142,767	1,254,194
<b>Long-term liabilities:</b>			
Deferred tax liabilities	907	—	7,320
Retirement and severance benefits	7,526	4,113	60,746
Total long-term liabilities	8,433	4,113	68,067
Total liabilities	163,828	146,880	1,322,261
<b>Shareholders' equity (Note 3):</b>			
Common stock ¥50 (\$0.40) par value:			
Authorized — 148,450,000 shares			
Issued — 87,738,730 shares in 2001 and 2000	5,438	5,438	43,894
Additional paid-in capital	9,695	9,695	78,250
Legal reserve	1,359	1,359	10,973
Retained earnings	71,048	67,988	573,436
Net unrealized holding gain on securities	6,587	—	53,171
Total shareholders' equity	94,130	84,481	759,726
<b>Commitments and contingent liabilities (Note 4)</b>			
Total liabilities and shareholders' equity	¥257,958	¥ 231,362	\$2,081,988

# Statements of Income

Nissei Sangyo Co., Ltd.

For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
<b>Net sales</b>	<b>¥579,738</b>	¥539,217	<b>\$4,679,083</b>
<b>Cost of sales</b>	<b>541,327</b>	505,464	<b>4,369,065</b>
Gross profit	<b>38,411</b>	33,753	<b>310,017</b>
<b>Selling, general and administrative expenses</b>	<b>28,934</b>	27,440	<b>233,532</b>
Operating income	<b>9,476</b>	6,312	<b>76,485</b>
<b>Other income:</b>			
Interest	<b>914</b>	772	<b>7,382</b>
Dividends	<b>995</b>	956	<b>8,036</b>
Gain on sales of securities	—	899	—
Gain on sales of land	<b>1,990</b>	—	<b>16,062</b>
Others	<b>115</b>	350	<b>936</b>
Total other income	<b>4,016</b>	2,978	<b>32,418</b>
<b>Other deductions:</b>			
Interest	<b>118</b>	133	<b>960</b>
Prior service cost of employee pension fund	—	633	—
Amortization of transition difference arising from the adoption of the new accounting standard for retirement benefits	<b>2,728</b>	—	<b>22,022</b>
Others	<b>843</b>	546	<b>6,809</b>
Total other deductions	<b>3,691</b>	1,313	<b>29,791</b>
<b>Income before income taxes</b>	<b>9,801</b>	7,977	<b>79,111</b>
<b>Income taxes — current</b>	<b>6,641</b>	3,929	<b>53,599</b>
<b>Income taxes — deferred</b>	<b>(2,402)</b>	(318)	<b>(19,386)</b>
<b>Net income</b>	<b>5,562</b>	4,366	<b>44,898</b>
	Yen		U.S. dollars
<b>Net income per share</b>	<b>¥63.40</b>	¥49.03	<b>\$0.51</b>

See accompanying notes to financial statements.

# Notes to Financial Statements

Nissei Sangyo Co., Ltd.

## 1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared from the accounts maintained by Nissei Sangyo Co., Ltd. (the Company) in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Solely for the convenience of readers outside Japan, certain items presented in the original financial statements have been reclassified in their presentation. U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥123.90=US\$1.00.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A) Marketable securities and other securities

Effective April 1, 2000, the Company adopted “Accounting Standards for Financial Instruments” issued by the Business Accounting Deliberation Council of Japan. Under this standard, securities are to be classified into one of such three categories as “trading securities” measured at fair value with unrealized holding gains and losses included in earnings, “held-to-maturity securities” measured at amortized cost, and “other securities.”

Accordingly, the Company reviewed the purpose and classification of all securities held at the beginning of the period. Based on the review, all of securities are classified into other securities.

In its classified category, securities with maturities of less than one year are included in Marketable securities as current assets, and all other securities are included in Investment in securities as non-current assets. As a result of the application of this standard, Marketable securities in the current assets section amounted to ¥5,517 million were reclassified to the Investment in securities.

Other securities with a fair value are carried at fair value with unrealized holding gains and losses excluded from earnings and reported as a net amount in a separate component of shareholders' equity until realized.

Other securities without a fair value are carried at cost. In computing realized gain or loss, cost of other securities is principally determined by the moving average method.

### B) Inventories

Inventories are stated at cost. Cost is determined by the moving average method.

### C) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed principally by the declining balance method.

However, depreciation of buildings booked from April 1, 1998 is computed by the straight-line method in conformity with amendment of corporate tax law in Japan.

### D) Retirement and severance benefits

Effective April 1, 2000, the Company adopted “Accounting Standard for Retirement Benefits” issued by the Business Accounting Deliberation Council of Japan. Under this standard, allowance for retirement and severance benefits for employees is provided based on the estimated retirement benefit obligation and the pension assets.

Differences attributable to changes in accounting rules of retirement and severance benefits were amortized in the current accounting period. Benefits also include provisions for retirement vested payments for directors and statutory auditors determined according to pertinent rules of the Company, to which they are entitled if they were to retire or sever immediately at the balance sheet date.

### E) Hedge accounting standards

Effective April 1, 2000, the Company adopted “Accounting Standards for Financial Instruments” issued by the Business Accounting Deliberation Council of Japan. Under this standard, in principle, net assets or liability arising from derivative financial transaction is measured at fair value, with unrealized gain or loss included in earnings.

Hedging transaction, which meets the criteria of hedge accounting as regulated in the standards is accounted for using deferral hedge accounting, which requires the unrealized gain or loss to be deferred as a liability or asset until gain or loss relating to the hedge object is recognized.

And the Company adopts deferral hedge accounting for foreign exchange forward contracts to hedge the impact of exposure to exchange rate fluctuations on the balance of foreign currency denominated transactions on cash flow.

The Company, in accordance with its corporate philosophy of sound business management, uses financial derivative transactions—foreign exchange forward contracts—to reduce its exposure to exchange rate fluctuations. The Company does not hold or issue financial derivative instruments for trading purposes.

The Company assesses that a hedge is normally regarded as highly effective if, at inception and throughout the life of the hedge, the Company can expect changes in the fair value or the cash flow of the hedged item to be almost fully offset by the changes in the fair value or cash flows of the hedging instrument.

### F) Income taxes

The Company adopted “Accounting Standards for Deferred Income Taxes” issued by the Business Accounting Deliberation Council of Japan. The standards required that the deferred income taxes are accounted for based on the asset and liability method. Under the method, deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

### G) Net income per share

The computation of net income per share of common stock is based on the weighted average number of shares outstanding

during each year, after giving retroactive effect to the free distribution of shares, or stock splits.

### 3. SHAREHOLDERS' EQUITY

#### Common stock

Under the Japanese Commercial Code, as amended effective October 1, 1982, at least 50% (but not less than the equivalent par value) of the aggregate amount of the offering price and/or conversion price of convertible bonds (upon conversion into common stock) issued after the effective date must be credited to the common stock account.

Any remaining excess of proceeds over amounts credited to the common stock account must be credited to additional paid-in capital.

### 4. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2001 and 2000, the Company was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Export bills discounted	<b>¥3,849</b>	¥5,219	<b>\$31,072</b>
Guarantee of payment in business to associated companies and payment of loans granted by banks to employees	<b>887</b>	678	<b>7,164</b>
Notes receivable endorsed to suppliers	<b>187</b>	121	<b>1,510</b>
Total	<b>¥4,924</b>	¥6,019	<b>\$39,747</b>

# Report of Independent Certified Public Accountants on the Financial Statements

Nissei Sangyo Co., Ltd.

## ***Century Ota Showa & Co.***

**Certified Public Accountants**

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2-2-3, Uchisaiwai-cho

Chiyoda-ku, Tokyo 100-0011

C.P.O. Box 1196, Tokyo 100-8641

Phone: 03 3503-1100

Fax: 03 3503-1197

Mr. Noriaki Higuchi

President and Representative Director

Nissei Sangyo Co., Ltd.

We have audited the balance sheets of Nissei Sangyo Co., Ltd. as of March 31, 2001 and 2000, and the related statements of income for the years then ended, all expressed in yen ( not presented herein) in accordance with generally accepted auditing standards, procedures and practices in Japan. In our report dated June 26, 2001, we express an unqualified opinion on those financial statements in accordance with accounting principles generally accepted in Japan.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

June 26, 2001

*Century Ota Showa & Co.*

See Note 1 to the condensed financial statements which explains the basis of preparing the financial statements of Nissei Sangyo Co., Ltd. under Japanese accounting principles and practices.

# Shareholder Information

## Investor Information

### Date of Establishment

**April 12, 1947**

### Stock Exchange Listings

**Tokyo Stock Exchange**

**Osaka Securities Exchange**

### Common Shares Issued

**87,738,730**

### Paid-in Capital

**¥5,438 million**

### Number of Employees

**1,375**

### Number of Shareholders

**6,805**

### Transfer Agent

**Tokyo Securities Transfer Agent Co., Ltd.**

5-1, Marunouchi 1-chome,  
Chiyoda-ku, Tokyo 100-0005, Japan

(As of March 31, 2001)

## Major Shareholders

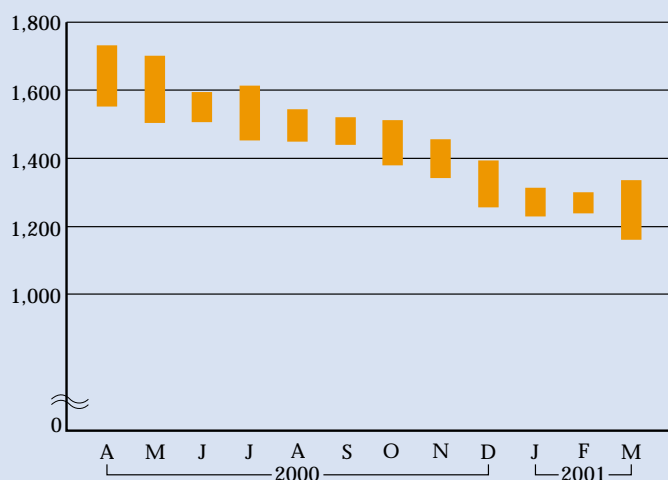
	Number of shares held	
	(Thousands)	%
Hitachi, Ltd.	49,607	56.5
The Chase Manhattan Bank NA London	3,292	3.8
The Nissei Sangyo Employees Shareholders Association	2,683	3.1
Japan Trustee Services Bank, Ltd.	1,909	2.2
The Fuji Bank, Ltd.	1,464	1.7
The Dai-Ichi Kangyo Bank, Ltd.	1,464	1.7
Mizuho Trust & Banking Co., Ltd.	1,417	1.6
Boston Safe Deposit	1,118	1.3
The Mitsubishi Trust and Banking Co., Ltd.	973	1.1
The Bank of Tokyo-Mitsubishi, Ltd.	903	1.0

## Distribution of Shareholders

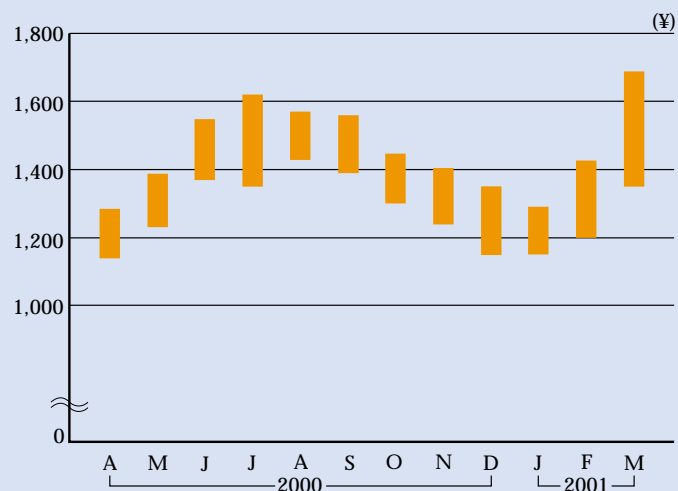
	Number of shareholders	Number of shares held
		(Thousands)
Domestic Enterprise Corporations	185	51,991
Financial Institutions	57	12,199
Security Corporations	27	184
Foreign Individuals and Corporations	73	7,881
Individuals and Other	6,463	15,483
Total	6,805	87,739

(As of March 31, 2001)

## Tokyo Stock Price Index (TOPIX)



## Stock Price Range on the Tokyo Stock Exchange



## Head Office

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Nissei Sangyo Co., Ltd.



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Inno-Design Co., Ltd.