

A N N U A L R E P O R T

1 9 9 9

NISSEI SANGYO CO., LTD.

PROFILE

A trading company with an emphasis on creativity and leading-edge technology, Nissei Sangyo Co.,Ltd., a member of the Hitachi Group, handles a diverse range of products, from computers and peripherals to scientific instruments and systems, electronic devices, and industrial machinery and materials.

Based on a tradition of technical expertise, Nissei Sangyo has earned a reputation as a trusted “high-tech integrator.” Combining strong developmental, marketing, and information resources with a workforce of professionals dedicated to giving our clients their best, Nissei Sangyo’s activities extend to 53 offices in 22 countries.

Enhancing our knowledge of advanced technologies is our ability to use our organizational capabilities to their fullest extent, enabling us to serve the needs of a full spectrum of businesses, both today and into the future. Responsive to both our customers and to the times, Nissei Sangyo offers true value as your business partner in a variety of technology-related fields.

CONTENTS

Nonconsolidated Six-Year Summary	1
A Message from the Management.....	2
Management Summary	4
Nonconsolidated Balance Sheets	6
Nonconsolidated Statements of Income	8
Notes to Nonconsolidated Financial Statements	9
Consolidated Six-Year Summary	11
Consolidated Balance Sheets	12
Consolidated Statements of Income	14
Consolidated Statements of Shareholders’ Equity	15
Consolidated Statements of Cash Flows	16
Notes to Consolidated Financial Statements	17
Report of Independent Public Accountants	19
Corporate Data	20

NONCONSOLIDATED SIX-YEAR SUMMARY

Nissei Sangyo Co., Ltd.

For the years ended March 31	Millions of yen						Thousands of U.S. dollars
	1999	1998	1997	1996	1995	1994	1999
Net sales	¥549,708	¥638,548	¥652,139	¥584,267	¥534,403	¥513,834	\$4,560,007
Operating income	6,243	5,867	4,579	3,265	2,160	3,102	51,788
Income before income taxes	7,538	7,111	6,016	5,055	4,150	5,443	62,535
Net income	3,815	3,704	2,740	2,451	2,360	2,426	31,651
Total assets	217,645	231,168	232,188	244,713	224,134	223,160	1,805,439
Shareholder's equity	79,991	77,605	76,230	74,610	73,281	72,049	663,555

	Yen						U.S. dollars
	1999	1998	1997	1996	1995	1994	1999
Net income per share	¥42.73	¥41.79	¥32.23	¥28.83	¥27.76	¥28.54	\$0.35
Cash dividends per share	20.00	15.00	25.00	12.50	12.50	12.50	0.17

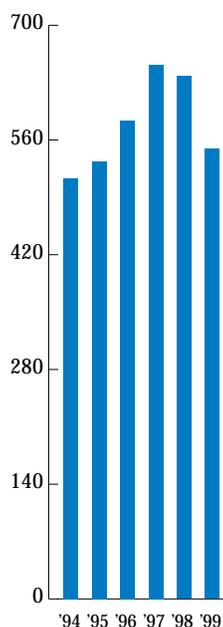
Notes: 1. All figures of less than ¥1 million or \$1,000 have been dropped.

2. Figures stated in this report are nonconsolidated, unless indicated otherwise.

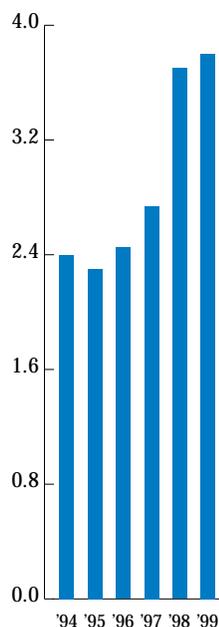
3. Billion is used in the American sense of one thousand million.

4. U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥120.55=US\$1.00

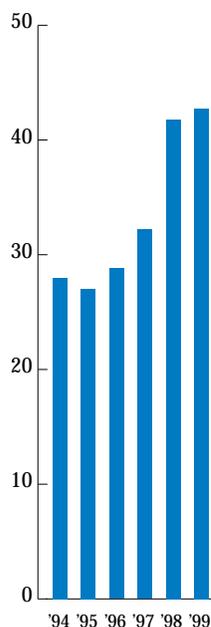
Net Sales
(Billion ¥)



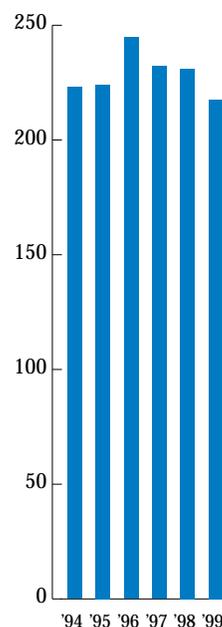
Net Income
(Billion ¥)



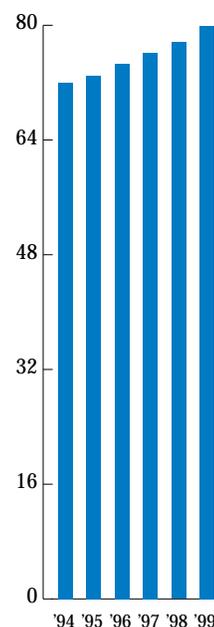
Net Income per Share
(¥)



Total Assets
(Billion ¥)



Shareholders' Equity
(Billion ¥)



A MESSAGE FROM THE MANAGEMENT



The year under review witnessed continuing strong economic growth in the U.S., as well as moderate growth in Europe led by domestic demand. In Asia, however, the effects of the previous year's monetary and financial crises persisted, depressing demand. Specifically in Japan, despite increased public spending and financial and tax supports, personal consumption remained weak, and both plant and equipment investments and housing investments slowed. The result was a second consecutive year of serious minus growth.

Amid these conditions, Nissei Sangyo focused on a long-term strategy of developing its global operations and working to further improve management efficiency. Specifically, we are striving in three major areas.

First, by strengthening our core businesses, we are handling more products that command a top worldwide market share. We are continuing to specialize in high-tech fields, further improving our ability to compete anywhere in the world.

Second, we are constantly pursuing new business opportunities, notably in the opto-electronics and semiconductor manufacturing fields.

Third, the company has dedicated itself to enhancing the reaction time of its business operations, the better to respond to the dynamic, fast-paced markets we serve.

Taken together, we remain confident that these efforts will enable Nissei Sangyo to take advantage of the unique opportunities that come at times of change such as these, and we look forward to further progress toward our goal of becoming a truly outstanding company of the coming century.

OPERATING RESULTS

The value of contracts closed during the past year declined 15.7% to ¥537,198 million, while sales totaled ¥549,708 million, a 13.9% decline from the previous fiscal year. Pretax profits grew 6.0% to ¥7,538 million, and current profits were up by 3.0% to ¥3,815 million.

Nonconsolidated results by market sector were as follows:

- Domestic transactions were down 13.6% to ¥255,327 million.
- Exports totaled ¥192,802 million, down 12.6%.
- Imports totaled ¥53,979 million, down 25.0%.
- Overseas transactions declined by 5.2% to ¥47,599 million.

OUTLOOK

Despite signs of upturn in some economic indicators linked to increased public spending and housing investments, Japan continues to face structural problems including over-investment and over-employment. True recovery cannot be expected soon.

Elsewhere, while the Asian economy appears to have bottomed out, slowing growth in Europe and growing trade deficits and weakening personal consumption in the U.S. suggest the need for caution.

Under these circumstances, Nissei Sangyo will continue to work toward even greater Group integration, and to develop high added-value businesses. We are actively committed to expanding the range of our activities into promising new areas, while speeding up management response time in order to bolster our competitiveness. In the immediate term, we are also seriously addressing the Y2K computer issue, and taking appropriate response measures on a company-wide basis.

DIVIDEND POLICY

It is the basic policy of Nissei Sangyo to work toward the further strengthening of the Company's business foundation and its future business assets, while continuing to provide its shareholders with a steady distribution of dividends. Annual dividends for the last fiscal year were thus set at ¥15.00 per share.

In addition to stock splits, announced whenever justified by growth in earnings, profits are additionally passed on to shareholders through special dividend increases every fifth fiscal year to commemorate the anniversary of the Company's founding. In line with this policy, the next normal term dividend of ¥7.50 per share is to be supplemented with a ¥5 special dividend to commemorate the opening of the new Nissei Sangyo Building and to share our increased profits with our stockholders, for a planned total dividend of ¥12.50 per share. Together with the ¥7.50 interim issue already paid, this will result in dividends of ¥20 per share for the current fiscal year, or a payout ratio of 46.8%.

Regarding future dividends, given our continuing efforts toward increased profitability and a stronger business base, our intention is to achieve a payout ratio in the range of 40%.

Use of internal reserves will continue to be based on a consideration of future business prospects; specifically, for the development of new businesses offering long-term promise, for investments aimed at increasing managerial efficiency and reducing overhead, and for the strengthening of the Company's corporate structure and its competitive abilities.

We extend our deepest gratitude to our shareholders, customers, and friends for their continued support over this past fiscal year, and we rededicate ourselves to achieving even greater corporate excellence as we enter a new fiscal year and a new century.



Noriaki Higuchi
President

August 1999

MANAGEMENT SUMMARY

SCIENTIFIC INSTRUMENTS

Domestically, demand for biotechnology-related and other products from universities and government organizations strengthened due to expanded budgets under the new Science and Technology Basic Law. Private-sector demand for electronic and other equipment meanwhile slowed, resulting in slight negative growth for the year. By product type, sales of chromatography equipment were slow, while demand grew for optical equipment and centrifuges. Electron microscope sales maintained the level of the previous year.

Among exports, the depressed semiconductor market saw sales of electron microscopes drop considerably. Sales of automatic blood analysis equipment to the U.S. suffered from slowing demand, while sales growth of immunity analysis equipment to Europe turned negative as strategic investments reached the end of their cycle.

Sales of scientific instruments during fiscal 1998 totaled ¥71,446 million, a decline of 8.9% from the previous year.

INDUSTRIAL INSTRUMENTS AND MACHINERY

Among instrumentation and industrial systems, weakening private-sector investment resulted in lower demand for industrial-use instrument systems and assembly equipment. By contrast,

growing environmental concerns helped drive strong sales of exhaust gas analysis equipment to the automobile industry as well as air-quality monitoring equipment to government organizations.

In semiconductor manufacturing equipment, economic difficulties in Japan and the rest of Asia slowed plant and equipment investments among semiconductor makers. Sales of pre-processing, analysis, and inspection equipment fell both domestically and overseas. Domestic sales of liquid crystal-related products were also down. While export demand for electronic component mounting equipment strengthened, it was not enough to offset the drop in domestic sales.

Sales of industrial instruments and machinery totaled ¥102,435 million, down 22.2% from the previous year.

INFORMATION SYSTEMS

Corporate demand for computer systems, which is mainly domestic in nature, fell due to budgetary restraints. Exports turned favorable, however, boosted by OEM sales of new hard disk products and strong early demand for optical disks.

Sales of computer monitors to the U.S. were hit by excessive inventories among top PC manufacturers in the first half of the year, as well as introduction of low-price models. Prices thus fell

rapidly. Mainframe sales to Europe meanwhile weakened due to greater performance competition and purchase restraint pending new budgets. New memory peripherals, however, recorded rapid growth.

Sales of information systems amounted to ¥100,379 million, a decline of 1.5% from the previous year.

ELECTRONIC COMPONENTS AND DEVICES

Semiconductor sales grew, supported by strong South Korean demand for ICs for cellular telephones. Among CRTs, demand for 19" color tubes was strong, while sales of 17" tubes — until now the most important product — fell to both South Korea and Taiwan due to intense competition and eroding prices. In exports of home-use products to the U.S., lower sales of video cameras were offset by growth in video and car stereo equipment, for an overall gain. Also performing strongly were sales of lithium ion batteries to South Korea.

Overall sales of electronic components and devices during fiscal 1998 totaled ¥87,967 million, a decline of 13.7% from the previous year.

METALS AND MATERIALS

Sales of special steel, metal materials, synthetic resins, and other industrial-use products slowed due to a downturn in demand

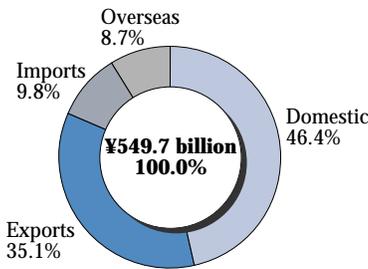
from manufacturers of construction equipment, industrial vehicles, and electrical equipment. Decreased construction investments likewise saw a drop in sales of construction materials. Imports of PC-related products declined as well, due to major production adjustments.

Among electronic materials, sales of silicon wafers were down as a result of last year's depression in the market for semiconductors. Turning in favorable performance, however, were optical media, telecommunications, and other opto-electronic materials, as well as new materi-

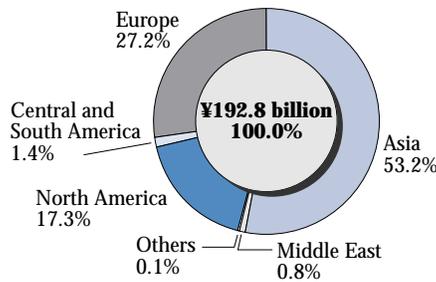
als used for higher density IC packages.

Total sales of metals and materials totaled ¥187,480 million in fiscal 1998, a decline of 16.5% from the previous year.

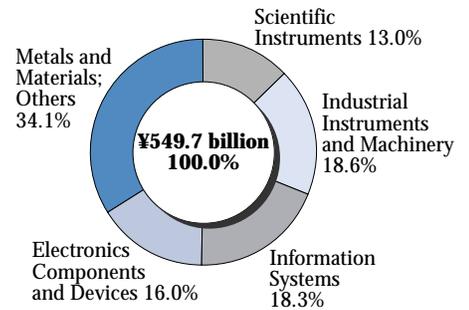
Nonconsolidated Net Sales by Type of Transaction



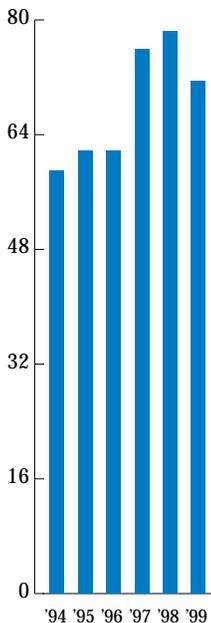
Nonconsolidated Net Sales of Exports by Region



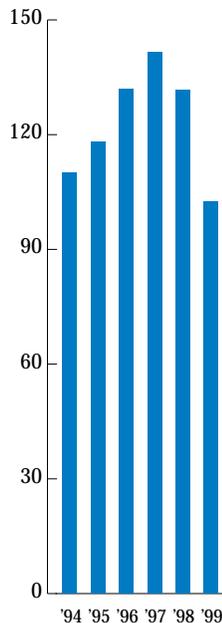
Nonconsolidated Net Sales by Group Sales



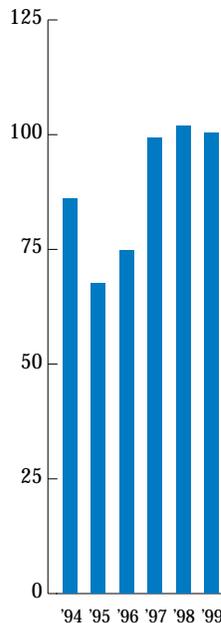
Scientific Instruments Group Sales (Billion ¥)



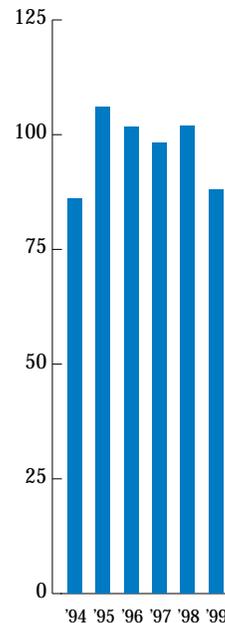
Industrial Instruments and Machinery Group Sales (Billion ¥)



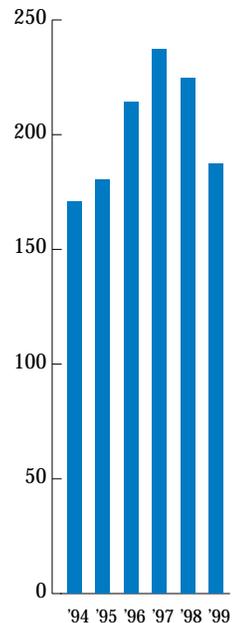
Information Systems Group Sales (Billion ¥)



Electronics Components and Devices Group Sales (Billion ¥)



Metals and Materials; Others Group Sales (Billion ¥)



NONCONSOLIDATED BALANCE SHEETS

Nissei Sangyo Co., Ltd.

As of March 31, 1999 and 1998	Millions of yen		Thousands of U.S. dollars
ASSETS	1999	1998	1999
Current assets:			
Cash and cash equivalents	¥ 21,934	¥ 24,214	\$ 181,952
Marketable securities	8,978	8,079	74,482
Trade receivables:			
Notes	21,700	23,368	180,013
Accounts	95,621	103,304	793,210
Less: allowance for doubtful accounts	(1,030)	(1,270)	(8,544)
Advances to suppliers	2,193	1,621	18,193
Inventories	5,825	5,126	48,327
Other current assets	6,402	7,114	53,113
Total current assets	161,627	171,559	1,340,749
Property, plant and equipment:			
Land	18,424	18,697	152,836
Buildings and structures	16,777	16,647	139,177
Machinery and equipment	3,816	3,858	31,661
Less: accumulated depreciation	(8,788)	(8,014)	(72,899)
Total property, plant and equipment	30,231	31,189	250,776
Investments and other assets:			
Investments in securities:			
Subsidiaries and affiliates	4,633	4,395	38,433
Other securities	9,716	10,750	80,601
Lease and guaranty deposits	1,935	2,084	16,056
Other assets	10,234	11,907	84,898
Less: allowance for doubtful accounts	(732)	(718)	(6,075)
Total investments and other assets	25,787	28,419	213,913
Total assets	¥217,645	¥231,168	\$1,805,439

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Current liabilities:			
Trade payables:			
Notes	¥ 28,944	¥ 35,045	\$ 240,103
Accounts	88,898	97,252	737,438
Advances from customers	5,812	5,783	48,217
Taxes payable	707	1,801	5,869
Accrued expenses	4,165	4,860	34,554
Other current liabilities	4,638	4,319	38,473
Total current liabilities	133,166	149,063	1,104,658
Long-term liabilities:			
Retirement and severance benefits	4,487	4,499	37,225
Total long-term liabilities	4,487	4,499	37,225
Total liabilities	137,654	153,562	1,141,883
Shareholders' equity:			
Common stock ¥50 par value:			
Authorized - 150,000,000 shares			
Issued - 89,288,730 shares in 1999 and 1998	5,438	5,438	45,113
Additional paid-in capital	9,695	9,695	80,425
Legal reserve	1,359	1,359	11,278
Retained earnings	63,498	61,112	526,738
Total shareholders' equity	79,991	77,605	663,555
Total liabilities and shareholders' equity	¥217,645	¥231,168	\$1,805,439

NONCONSOLIDATED STATEMENTS OF INCOME

Nissei Sangyo Co., Ltd.

For the years ended March 31, 1999 and 1998	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Net sales	¥549,708	¥638,548	\$4,560,007
Cost of sales	514,832	600,523	4,270,697
Gross profit	34,876	38,025	289,310
Selling, general and administrative expenses	28,633	32,157	237,521
Operating income	6,243	5,867	51,788
Other income:			
Interest	913	1,028	7,576
Dividends	1,019	1,032	8,459
Others	239	379	1,983
Total other income	2,172	2,440	18,019
Other deductions:			
Interest	131	132	1,089
Others	745	1,063	6,184
Total other deductions	876	1,196	7,273
Income before income taxes	7,538	7,111	62,535
Income taxes	3,723	3,407	30,883
Net income	¥ 3,815	¥ 3,704	\$ 31,651
		Yen	U.S. dollars
Net income per share	¥42.73	¥41.79	\$0.35

The accompanying notes are an integral part of these statements.

NOTES TO NONCONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying nonconsolidated financial statements have been prepared from the books of account in conformity with financial accounting standards in Japan. Solely for the convenience of readers outside Japan, certain items presented in the original financial statements have been reclassified in their presentation. All figures of less than ¥1 million or \$1,000 have been dropped.

U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥120.55=US\$1.00.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Marketable securities and other securities

Marketable securities quoted on stock exchanges are stated at the lower of cost or market, cost being determined by the moving average method.

Other securities in investments are stated at cost, also being determined by the moving average method.

B) Inventories

Inventories are stated at cost 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

The Company has retirement and severance plans that provide for lump-sum payments based on current rates of pay and length of service to employees who retire or terminate their employment for reasons other than dismissal. Payments in connection with voluntary severance are less, in amounts varying with length of service, than payments for involuntary severance or retirement.

This program has been operated by the provision as reflected in the accompanying balance sheets for the estimated liability on a voluntary basis after deduction of the balance of the Company's assets being appropriated for a separate employee pension system and, in part, by the fund established complementing the legal pension plan. The Company amended its retirement pension plan, effective from April 1, 1992. Past service costs that had been estimated and recognized as a reserve for retirement allowances were instead charged to income at the time of payments. Unrecognized past service costs are being amortized over fifteen years. Benefits also include provisions for retirement payments for directors and statutory auditors determined according to pertinent rules of the Company.

E) Translation of foreign currency accounts

Current monetary assets and current monetary liabilities in foreign currencies are translated into yen at exchange rates prevailing at the end of the fiscal year. Other assets and liabilities are translated at historical exchange rates. However, assets and liabilities in foreign currencies covered by forward exchange contracts are translated at the contract rates. The resulting translation gains or losses are included in the accompanying nonconsolidated statements of income.

F) Income taxes

Income taxes are provided based on amounts required by the tax returns for the period. The tax-effect accounting is not applied for timing differences in the recognition of certain expenses or income between the tax and financial reporting.

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. SHAREHOLDER'S EQUITY

A) 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 the legal reserve.

B) Legal reserve

Under the Japanese Commercial Code, the Company

was required to appropriate as legal reserve an amount equal to at least 10% of the distribution paid from net income until the reserve equals 25% of the stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be capitalized by resolution of the Board of Directors.

4. BUSINESS TAXES

For the year ended March 31, 1998, business taxes were included in selling, general and administrative expenses. From April 1, 1998, business taxes are included in income taxes, in conformity with amendment of financial accounting standards in Japan.

5. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 1999 and 1998, the Company was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Export bills discounted	¥5,359	¥3,663	\$44,459
Guarantee of payment in business to associated companies and payment of loans granted by banks to employees	707	630	5,869
Notes receivable endorsed to suppliers	129	133	1,077
Total	¥6,197	¥4,427	\$51,407

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
	1999	1998	1997	1996	1995	1994	1999
Net sales	¥733,204	¥872,160	¥895,066	¥796,777	¥684,119	¥643,640	\$6,082,157
Operating income	9,167	8,974	6,819	6,616	4,447	4,911	76,043
Income before income taxes	10,529	9,972	8,233	8,356	6,748	7,646	87,341
Net income	5,540	4,771	2,954	3,972	3,727	3,486	45,956
Total assets	283,713	307,643	297,184	304,623	271,783	263,390	2,353,488
Shareholders' equity	98,091	94,066	91,699	89,951	86,273	84,113	813,696

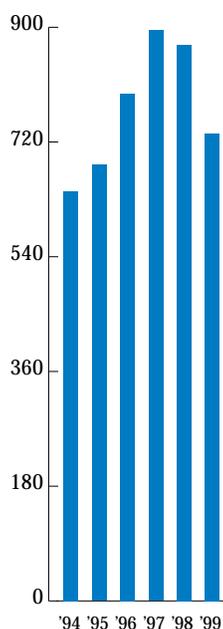
	Yen						U.S. dollars
	1999	1998	1997	1996	1995	1994	1999
Net income per share	¥62.05	¥53.83	¥34.74	¥46.72	¥43.83	¥41.01	\$0.51

Notes: 1. Since 1997, figures of less than ¥1 million or \$1,000 have been rounded. From 1996 till 1994, figures of less than ¥1 million or \$1,000 have been dropped.

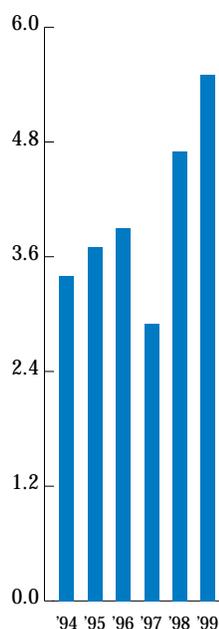
2. Billion is used in the American sense of one thousand million.

3. U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥120.55=US\$1.00

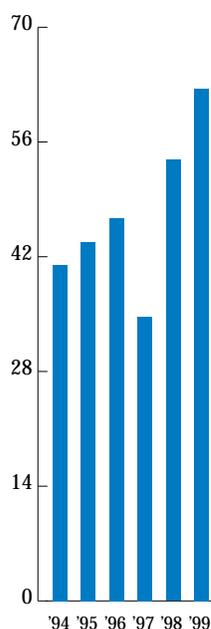
Net Sales
(Billion ¥)



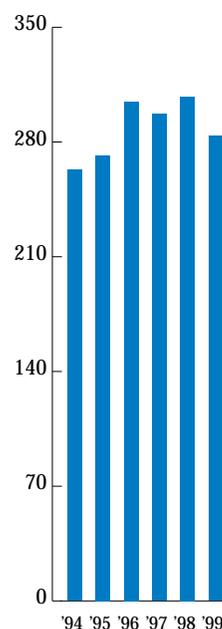
Net Income
(Billion ¥)



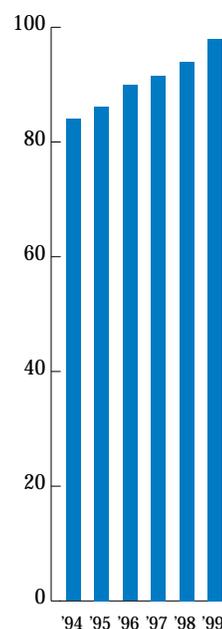
Net Income per Share
(¥)



Total Assets
(Billion ¥)



Shareholders' Equity
(Billion ¥)



CONSOLIDATED BALANCE SHEETS

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

As of March 31, 1999 and 1998	Millions of yen		Thousands of U.S. dollars
ASSETS	1999	1998	1999
Current assets:			
Cash and cash equivalents	¥ 39,392	¥ 39,791	\$ 326,769
Marketable securities	9,174	8,286	76,101
Trade receivables:			
Notes	25,324	27,657	210,071
Accounts	125,065	140,119	1,037,453
Less: allowance for doubtful accounts	(1,327)	(1,584)	(11,008)
Advances to suppliers	2,155	2,626	17,876
Inventories	15,322	18,222	127,101
Other current assets	7,868	8,280	65,268
Total current assets	222,973	243,397	1,849,631
Property, plant and equipment:			
Land	19,181	19,456	159,112
Buildings and structures	18,944	18,626	157,146
Machinery and equipment	6,572	6,728	54,517
Construction in progress	52	63	431
Less: accumulated depreciation	(12,228)	(11,351)	(101,435)
Total property, plant and equipment	32,521	33,522	269,772
Investments and other assets:			
Investments in securities:			
Subsidiaries and affiliates	4,012	4,054	33,281
Other securities	9,735	10,772	80,755
Lease and guaranty deposits	2,984	3,168	24,753
Other assets	12,132	13,994	100,639
Less: allowance for doubtful accounts	(1,262)	(1,264)	(10,469)
Total investments and other assets	27,601	30,724	228,959
Foreign currency translation adjustments	618	-	5,127
Total assets	¥283,713	¥307,643	\$2,353,488

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	1999	1998	1999
Current liabilities:			
Trade payables:			
Notes	¥ 35,736	¥ 45,320	\$ 296,441
Accounts	114,324	130,847	948,353
Advances from customers	8,436	7,799	69,979
Taxes payable	1,920	3,301	15,927
Other current liabilities	17,589	17,952	145,906
Total current liabilities	178,005	205,219	1,476,607
Long-term liabilities			
Retirement and severance benefits	7,422	7,317	61,568
Total long-term liabilities	7,422	7,317	61,568
Foreign currency translation adjustments	-	857	-
Total liabilities	185,427	213,393	1,538,175
Minority interests	195	184	1,618
Shareholders' equity			
Common stock ¥50 par value:			
Authorized - 150,000,000 shares			
Issued - 89,288,730 shares in 1999 and 1998	5,438	5,438	45,113
Additional paid-in capital	9,695	9,695	80,425
Legal reserve	-	1,360	-
Retained earnings	-	77,575	-
Consolidated retained earnings	82,961	-	688,187
Less: cost of treasury stock	(3)	(2)	(25)
Total shareholders' equity	98,091	94,066	813,696
Total liabilities, minority interests and shareholders' equity	¥283,713	¥307,643	\$2,353,488

CONSOLIDATED STATEMENTS OF INCOME

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

For the years ended March 31, 1999 and 1998	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Net sales	¥733,204	¥872,160	\$6,082,157
Cost of sales	678,708	812,005	5,630,095
Gross profit	54,496	60,155	452,061
Selling, general and administrative expenses	45,329	51,181	376,018
Operating income	9,167	8,974	76,043
Other income:			
Interest	1,472	1,560	12,211
Dividends	126	117	1,045
Others	633	551	5,251
Total other income	2,231	2,228	18,507
Other deductions:			
Interest	130	152	1,078
Others	739	1,078	6,130
Total other deductions	869	1,230	7,209
Income before income taxes and items listed below	10,529	9,972	87,341
Income taxes	4,971	5,314	41,236
Minority interests	18	30	149
Equity interests	-	143	-
Net income	¥5,540	¥4,771	\$45,956
		Yen	U.S. dollars
Net income per share	¥62.05	¥53.83	\$0.51

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

For the years ended March 31, 1999 and 1998	Number of shares issued and outstanding (thousands)	Millions of yen			
		Common stock	Additional paid-in capital	Legal reserve	Consolidated retained earnings
Balance at March 31, 1997	85,037	¥5,438	¥9,695	¥1,360	¥75,210
Proceeds from issuance of common stock	4,252	—	—	—	—
Net income for the year	—	—	—	—	4,801
Cash dividends	—	—	—	—	(2,264)
Bonuses to directors	—	—	—	—	(142)
Transfer to minority interests	—	—	—	—	(30)
Balance at March 31, 1998	89,289	¥5,438	¥9,695	¥1,360	¥77,575
Transfer to consolidated retained earnings	—	—	—	(1,360)	1,360
Net income for the year	—	—	—	—	5,558
Cash dividends	—	—	—	—	(1,339)
Bonuses to directors	—	—	—	—	(175)
Transfer to minority interests	—	—	—	—	(18)
Balance at March 31, 1999	89,289	¥5,438	¥9,695	—	¥82,961

	Number of shares issued and outstanding (thousands)	Thousands of U.S. dollars			
		Common stock	Additional paid-in capital	Legal reserve	Consolidated retained earnings
Balance at March 31, 1998	89,289	\$45,113	\$80,425	\$11,278	\$643,509
Transfer to consolidated retained earnings	—	—	—	(11,278)	11,278
Net income for the year	—	—	—	—	46,105
Cash dividends	—	—	—	—	(11,107)
Bonuses to directors	—	—	—	—	(1,452)
Transfer to minority interests	—	—	—	—	(149)
Balance at March 31, 1999	89,289	\$45,113	\$80,425	—	\$688,187

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

For the years ended March 31, 1999 and 1998	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Cash flows from operating activities:			
Net income	¥ 5,540	¥ 4,771	\$ 45,956
Adjustment to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,805	1,543	14,973
Net loss (gain) on disposal of marketable securities, property and equipment	51	(60)	423
Undistributed earnings of unconsolidated subsidiaries and affiliates, net	(278)	280	(2,306)
Other noncash charges	464	200	3,849
Change in operating assets and liabilities:			
Trade receivables	17,130	(10,069)	142,099
Inventories	2,900	(2,915)	24,056
Other operating assets, net	817	520	6,777
Trade payables	(27,004)	9,788	(224,007)
Income applicable to minority interests	11	25	91
Other operating liabilities, net	(654)	(3,715)	(5,425)
Net cash provided by (used in) operating activities	782	368	6,487
Cash flows from investing activities:			
Proceeds from sale of securities	5,091	8,721	42,231
Expenditures for securities and investments	(5,180)	(9,148)	(42,970)
Maturities (purchases) of mortgages	1,599	301	13,264
Capital expenditures	(1,395)	(31,296)	(11,572)
Increase (decrease) in loans made	131	283	1,087
Other, net	626	16,783	5,193
Net cash provided by (used in) investing activities	872	(14,356)	7,234
Cash flows from financing activities:			
Increase (decrease) in short-term loans	373	1,697	3,094
Cash dividends paid	(1,339)	(2,264)	(11,107)
Net cash provided by (used in) financing activities	(966)	(567)	(8,013)
Effect of exchange rate changes on cash and cash equivalents	(1,087)	60	(9,017)
Net increase (decrease) in cash and cash equivalents	(399)	(14,495)	(3,310)
Cash and cash equivalents at beginning of year	39,791	54,286	330,079
Cash and cash equivalents at end of year	¥39,392	¥39,791	\$326,769

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the books of account in conformity with financial accounting standards in Japan. Solely for the convenience of readers outside Japan, certain items presented in the original financial statements have been reclassified in their presentation. All figures of less than ¥1 million or \$1000 have been rounded. U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥120.55=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, intercompany transactions and unrealized profit have been eliminated in consolidations. The investments in significant nonconsolidated subsidiaries and affiliates (20% to 50% owned) 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) Marketable securities and other securities

Marketable securities quoted on stock exchanges are stated at the lower of cost or market, cost being determined by the moving average method.

Other securities in investments are stated at cost, also being determined by the moving average method.

B) Inventories

Inventories are stated at cost 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

The Company and most domestic subsidiaries have retirement and severance plans that provide for lump-sum payments based on current rates of pay and length of service to employees who retire or terminate their employment for reasons other than dismissal. Payments in connection with voluntary severance are less, in amounts varying with length of service, than payments for involuntary severance or retirement. This program has been operated by the provision as reflected in the accompanying balance sheets for the estimated liability on a voluntary basis after deduction of the balance of the Company's assets being appropriated for a separate employee pension system and, in part, by the fund established complementing the legal pension plan. The Company amended its retirement pension plan, effective from April 1, 1992. Past service costs that had been estimated and recognized as a reserve for retirement allowances were instead charged to income at the time of payments. Unrecognized past service costs are being amortized over fifteen years.

Benefits also include provisions for retirement payments for directors and statutory auditors determined according to pertinent rules of the Company.

E) Translation of foreign currency accounts

Current monetary assets and current monetary liabilities in foreign currencies are translated into yen at exchange rates prevailing at the end of the fiscal year. Other assets and liabilities are translated at historical exchange rates. However, assets and liabilities in foreign currencies covered by forward exchange contracts are translated at the contract rates. The resulting translation gains or losses are included in the accompanying consolidated statements of income.

F) Translation of foreign subsidiaries' and affiliates' financial statements

The financial statements of foreign subsidiaries and affiliates are translated into yen at exchange rates prevailing at the end of the fiscal year.

G) Income taxes

Income taxes are provided based on amounts required by the tax returns for the period. Income tax adjustments are also accounted for by elimination of unrealized profits and adjustment of allowance for doubtful accounts. The tax-effect accounting is not applied for timing differences in the recognition of certain expenses or income between the tax and financial reporting.

H) 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 the legal reserve.

B) Legal reserve

Under the Japanese Commercial Code, the Company was required to appropriate as legal reserve an amount equal to at least 10% of the distribution paid from net income until the reserve equals 25% of the stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be capitalized by resolution of the Board of Directors.

5. SUPPLEMENTAL INFORMATIONS

In conformity with amendment of financial accounting standards in Japan, the following items are transferred to the appropriate account for the years ended March 31, 1999.

A) Equity interests

Equity interests are included in 'Others' of other income.

B) Business taxes

Business taxes which were included in selling, general and administrative expenses for the year ended March 31, 1998 are included in income taxes.

C) Consolidated retained earnings

Legal reserve and retained earnings are indicated as consolidated retained earnings.

6. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 1999 and 1998, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Export bills discounted	¥1,234	¥ 787	\$10,236
Guarantee of payment in business to associated companies and payment of loans granted by banks to employees	1,164	1,222	9,656
Notes receivable endorsed to suppliers	130	134	1,078
Total	¥2,528	¥2,143	\$20,971

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS



Century Audit Corporation

The Japan Red Cross Bldg.
1-3, Shiba Daimon 1-chome
Minato-ku, Tokyo 105, Japan

Telephone (03) 3578-1910
Facsimile (03) 3578-1913

The Board of Directors
Nissei Sangyo Co., Ltd.

We have audited the consolidated financial statements of Nissei Sangyo Co., Ltd., and subsidiaries, namely, the consolidated balance sheets as of March 31, 1999 and 1998, and the consolidated statements of income, the consolidated statements of shareholders' equity and the consolidated statements of cash flows for the years then ended, all expressed in yen.

We have also audited the nonconsolidated financial statements of Nissei Sangyo Co., Ltd., namely, the nonconsolidated balance sheets as of March 31, 1999 and 1998, and the nonconsolidated statements of income for the years then ended, all expressed in yen.

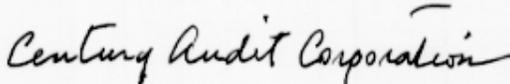
Our audits were made in accordance with generally accepted auditing standards in Japan and all relevant auditing procedures as are normally required were carried out.

Based on our audits, we express the opinion that the accounting principles and practices adopted by the Company for consolidated financial statements and nonconsolidated financial statements are in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

As a result, it is our opinion that the above-mentioned consolidated financial statements present fairly the financial position of Nissei Sangyo Co., Ltd., and subsidiaries as of March 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended, and that the above-mentioned nonconsolidated financial statements present fairly the financial position of Nissei Sangyo Co., Ltd., as of March 31, 1999 and 1998, and the results of its operations for the years then ended.

The accompanying consolidated financial statements and nonconsolidated financial statements have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements and nonconsolidated financial statements expressed in yen have been translated into United States dollars on the basis described in Note 1 of the notes to the consolidated financial statements and the nonconsolidated financial statements.

Tokyo, Japan
June 29, 1999



See note(1) to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Nissei Sangyo Co., Ltd. and subsidiaries under Japanese accounting principles and practices, and also see note(1) to the nonconsolidated financial statements.

CORPORATE DATA

BOARD OF DIRECTORS

President and Representative Director

Noriaki Higuchi

Senior Executive Managing and Representative Director

Ikuo Kinokuni

Executive Managing Directors

Yuichi Tsunoda

Akihiko Nozaki

Wasuke Nakano

Kazuhiko Wakino

Yasuhiko Kobata

Board Directors

Yoshiro Kuwata

Hiroshi Inomata

Toru Kawachi

Seiji Okubo

Iwao Ito

Noriyuki Ichikawa

Masumi Miyauchi

Corporate Auditors

Shin Kimura

Tadashi Okamoto

Kaichi Murata

Shigeyoshi Takase

(As of June 29, 1999)

AFFILIATED COMPANIES

Overseas

Nissei Sangyo America, Ltd.

Nissei Sangyo Canada Inc.

Nissei Sangyo do Brasil Ltda.

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

Nissei Sangyo France S.A.R.L.

Nissei Sangyo (Singapore) Pte. Ltd.

Nissei Sangyo IPC
(Malaysia) Sdn.Bhd.

Nissei Sangyo (Thailand) Co., Ltd.

Nissei Sanyo Hitech
Service Pte. Ltd.

Nissei Sangyo (Shanghai) Co., Ltd.

Nissei Sangyo Hong Kong Ltd.

Korea HISCO Ltd.

Domestic

Hitachi Instruments
Service Co., Ltd.

Nissei Electronics, Ltd.

Nissei Mecs Corporation

Nissei Engineering Inc.

Nissei Denki Co., Ltd.

Nissei Software Inc.

Nissei Service Inc.

Nissei Science, Ltd.

Number of Offices

Overseas: 53

(in 22 countries)

Domestic: 22

(As of July 21, 1999)

INVESTOR INFORMATION

Date of Establishment

April 12, 1947

Stock Exchange Listings

Tokyo Stock Exchange

Osaka Securities Exchange

Common Shares Issued

89,288,730

Paid-in Capital

¥5,438 million

Number of Employees

1,408

Number of Shareholders

7,188

Transfer Agent

Tokyo Securities Co., Ltd.

5-1, Marunouchi 1-chome,

Chiyoda-ku, Tokyo 100-0005,

Japan

(As of March 31, 1999)

MAJOR SHAREHOLDERS

	Number of shares held	
	(thousands)	%
Hitachi, Ltd.	50,607	56.7
The Sumitomo Trust and Banking Co., Ltd.	3,090	3.5
The Nissei Sangyo Employees Shareholders Association	2,946	3.3
The Yasuda Trust and Banking Co., Ltd.	1,827	2.0
The Fuji Bank, Ltd.	1,464	1.6
The Sanwa Bank, Ltd.	1,464	1.6
The Dai-ichi Kangyo Bank, Ltd.	1,464	1.6
The Mitsubishi Trust and Banking Co., Ltd.	1,406	1.6
The Mitsui Trust and Banking Co., Ltd.	1,158	1.3
The Toyo Trust and Banking Co., Ltd.	982	1.1

HEAD OFFICE

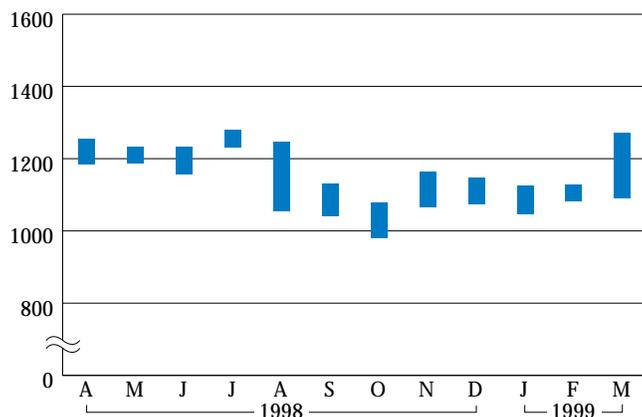
24-14, Nishi-Shimbashi 1-chome,
Minato-ku, Tokyo 105-8717, Japan
Tel: 81 (3) 3504-7111
Fax: 81 (3) 3504-7123
Mailing Address:
C.P.O. Box 1316,
Tokyo 100-8693, Japan
<http://www.nisseisg.co.jp>

DISTRIBUTION OF SHAREHOLDERS

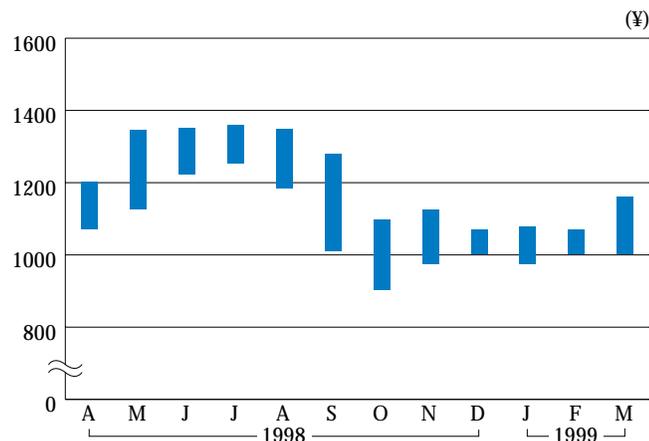
	Number of shareholders	Number of shares held
		(thousands)
Domestic Enterprise Corporations	211	53,246
Financial Institutions	63	16,896
Security Corporations	33	393
Foreign Individuals and Corporations	47	1,370
Individuals and Other	6,834	17,383
Total	7,188	89,288

(As of March 31, 1999)

Tokyo Stock Price Index [TOPIX]



Stock Price Range on the Tokyo Stock Exchange





Nissei Sangyo Co.,Ltd.

24-14, Nishi-Shimbashi 1-chome,
Minato-ku, Tokyo 105-8717, Japan



This publication has been printed on material made from
recycled paper and natural non-wood products.

Printed in Japan
August 1999