

ANNUAL REPORT 2000



# Profile

Nissei Sangyo Co., Ltd., came into being 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 utilizes our outstanding information collection capacity and coordination skills. Meanwhile, as sales engineers, 60% of our sales personnel are experts in handling cutting-edge products, gaining high levels of customer trust.

In the future, Nissei Sangyo will continue to provide 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.

## Contents

Financial Highlights	1
A Message from the Management	2
Interview with the President	4
Division Strategy	6
Group Strategies	12
Nissei Sangyo Group at a Glance	14
Nissei Sangyo Group Network	16
Board of Directors	20
Financial Section	22
Shareholder Information	40

# Financial Highlights

Nissei Sangyo Co., Ltd.

## Non-Consolidated Data

	Millions of Yen			Thousands of U.S. Dollars
	2000	1999	1998	2000
<b>Operating results</b>				
Net sales	¥539,217	¥549,708	¥638,548	\$5,079,767
Operating income	6,312	6,243	5,867	59,467
Income before income taxes	7,977	7,538	7,111	75,150
Net income	4,366	3,815	3,704	41,132

## Consolidated Data

	Millions of Yen			Thousands of U.S. Dollars
	2000	1999	1998	2000
<b>Operating results</b>				
Net sales	¥725,348	¥733,204	¥872,160	\$6,833,236
Operating income	8,275	9,167	8,974	77,956
Income before income taxes	9,795	10,529	9,972	92,275
Net income	5,386	5,540	4,771	50,740

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 ¥ 106.15=U.S.\$1.00.



# A Message from the Management



**Noriaki Higuchi**  
*President*

## Market Conditions

During the year under review, the U.S. economy maintained its high growth, recording the longest period of economic expansion in the post-war era, while Europe also experienced moderate domestic demand-led growth, influenced by a recovery in production. The Asian economy also showed a clear recovery with a significant expansion in exports. Meanwhile, despite a second consecutive year of negative growth in capital investment, the Japanese economy turned the corner toward slight positive growth, with an expansion in exports coupled with increased housing investment fueled by government policy.

In the business world, information and communications-related markets expanded as a result of the spread of the Internet and mobile communications, and the electronics industry continued to grow, with the emergence of a variety of trends, such as electronic commerce, revolutionizing current business practices. Against a background of increased global competition, it has also been a period of dramatic change, with an acceleration of the trend for mergers and alliances between large corporations in a variety of industries.

## Business Results

In this management environment, Nissei Sangyo has been promoting a focus on global development in growth areas with an emphasis on leading-edge technology. We are also working to speed up management response times and increase efficiency in order to adjust to the dramatically changing business environment.

As a result, our business results for the year under review recorded sales of ¥539,217 million (down 1.9% year-on-year), income before taxes of ¥7,977 million (up 5.8% year-on-year) and net income of ¥4,366 million (up 14.4% year-on-year).

While seeking to strengthen and enhance our financial structure and management foundation, we have a commitment to steadily returning income to shareholders. Based on this commitment, we implemented the acquisition and redemption of the Company's stock during the year under review. Further, due to a fifth consecutive year of increased revenues, it was decided to return income to our shareholders by adding a special dividend of ¥5 per share to the initial ordinary dividend of ¥10 per share, yielding a year-end dividend of ¥15 per share. As a result, when added to the interim dividend of ¥10 per share, the dividend for the year under review was ¥25, yielding a pay-out ratio of 50.6%.

In addition, internal reserves have been used for investments that aim to develop new businesses based on long-term promise and to increase the efficiency of management, and we are working to further strengthen our corporate structure and competitive strength.

#### **Economic and Industrial Trends**

Despite some areas of concern, such as the slump in personal consumption due to uncertainty in the employment environment and the slowdown in public investment, the Japanese economy is forecast to experience an autonomous recovery led by private demand with an improvement in capital investment centered on investment in computerization.

Elsewhere in the global economy, it is forecast that the U.S. economy, which is showing signs of overheating, will continue to expand overall despite the move towards more restrictive policies, while Europe will continue to see stable growth. As the Asian economy is also forecast to continue to grow, the global economy overall seems to be on a stable expansion trend.

In the business world, in addition to continued growth in high-tech related industries such as electronics and information and communications, the rise of new service industries is anticipated. Meanwhile, in the midst of intensified competition, it is forecast that the shift of focus from "selection and concentration" of business to "concentration and expansion" will quicken.

#### **Outlook**

Under these circumstances, Nissei Sangyo is aiming to exhibit its role as a global business creator. In our 10th Three-Year Plan, which started this fiscal year, we positively embrace the challenge of developing new businesses such as opto-electronics, IC card business and solutions. Furthermore, we will work to bolster our competitiveness by further increasing Group integration, concentrating management resources in core businesses and speeding up management response times.

In addition, the Nissei Sangyo head office received ISO14001 certification in environmental management systems last August. We are continuing to promote corporate management that cares for the environment, with domestic branch offices and group companies aiming to attain certification.

We hope that we will continue to enjoy your support in future.



**Noriaki Higuchi**  
*President*

# Interview with the President

## Nissei Sangyo announced its NS2002 consolidated mid-term management plan in June 2000.

President Noriaki Higuchi answered questions about future management strategy based on the points in the NS2002 mid-term management plan.

### **Q: What is the basic concept of the NS2002 mid-term management plan?**

**A:** Recently Nissei Sangyo formulated the consolidated mid-term management plan NS2002, our tenth three-year plan, which began in April 2000 and will continue until fiscal 2002, and we announced it publicly in June. “NS2002” stands for Nissei Sangyo in the fiscal year 2002, but it is also meant to suggest a “New Strategy” to take us to the “Next Stage.”

NS2002 is an action plan for a management strategy that will yield greater growth and achievements for the Nissei Sangyo Group in the future. The plan builds on our competence as a global business creator to make Nissei Sangyo a high-tech trading company that responds swiftly to the changing business environment for greater profitability and creativity in business and greater value for the Group as a whole.

### **Q: What are the targets in the NS2002 plan?**

**A:** The targets in the NS2002 plan are for net sales of ¥900 billion, income before income taxes of ¥19 billion, net income of ¥10 billion and ROE of 8.0% in fiscal 2002, the final year of the plan. In addition to achieving these targets as the first step for the Nissei Sangyo Group, we also hope to become a ¥1 trillion yen group on a consolidated basis in the near future.

### **Q: What are your basic strategies for achieving the targets in the NS2002 plan?**

**A:** We have seven basic strategies in the NS2002 plan. These are: developing high added-value business, focusing on core businesses for greater profitability, strengthening

consolidated management, strengthening information strategies, securing and training competitive human resources, managing for shareholder benefit, and environmental management and philanthropy. We believe that we will achieve our targets by steadily implementing these strategies.

### **Q: How will you develop high added-value business?**

**A:** We will be concentrating our business development efforts in five sectors that we believe have good prospects for future growth, sectors in which the Group is already a leader—“semi-conductors,” “information and communications technology,” “digital media,” “life sciences,” and the “environmental technologies”—as well as in two specific business areas, “public-sector operations” and “shipping to Japan.” Focusing on these areas will give us a new core for future growth. We will seek to reach ¥400 billion in orders received from these development sectors (a development ratio of 44%) in 2002.

Beyond just shipping products to Japan, this business involves taking advantage of talents within the Group, such as the backgrounds in service, engineering, software development, etc., of Hitachi Instruments Services Co., Ltd. and Nissei Software, to add value to products and expand our business shipping to Japan in a way that only Nissei Sangyo can.

Having quickly demonstrated results with the ASM lithography scanner, and by putting our energies into expanding shipping to Japan in areas that are fortes for the Group, such as biotechnology and information technology, we hope to make shipping to Japan a ¥100 billion business for Nissei Sangyo accounting for 15% of total annual revenues.

Further, to secure and expand our leading position in the business world, and to speed our development process, we are investing an additional ¥10 billion in strategic sectors, both in Japan and overseas, in order to give Nissei Sangyo a stake in companies with important technologies and to build alliances with partners toward the development of major projects.

**Q: How will you increase business efficiency for greater profitability?**

**A:** On the one hand, the Group will step up its efforts to reorient its investments and human resources, liquidating or cutting back businesses that have either poor growth prospects or low profitability. On the other, however, we will focus on creating a new core by investing more in promising fields such as components for optical communications, testing and inspection systems, LCD-related products, and solutions. Continuing our Scrap & Build program should raise our profit-to-sales ratio from 7% to 8%, reflecting the importance we have placed on profitability.

**Q: Can you explain your strategy on strengthening consolidated management?**

**A:** In order to cultivate the businesses that will be the core of the Company in the 21st century, we have to effectively utilize the management resources of our eight domestic subsidiaries and twelve overseas subsidiaries and increase global Group synergy. Further, we will make more efficient use of capital and increase consolidated profits by making optimal use of management resources through formulation of an overall Nissei Sangyo Group hiring and personnel rotation program, financial strategies, and increased outsourcing, as well as by strengthening our consolidated management base through enhancement of risk management capacity and establishment of a shared information infrastructure.

**Q: How will you respond to the IT revolution?**

**A:** We believe that optimizing use of information technology is one of the most efficient ways to ensure and extend Nissei Sangyo's leadership. Applying information technology throughout our operations, we will implement supply chain management across our distribution systems. We are also vigorously pursuing the use of electronic data interchange (EDI) commerce and e-business.

Following the introduction of the R/3 system first at Nissei Sangyo America Ltd. and Nissei Sangyo G.m.b.H. (Germany), and then at Nissei Sangyo (Singapore) Pte. Ltd. and the head office, we are using it on a global level to speed up management, to revolutionize our business processes, and to expand access to opportunities.

**Q: What is your strategy for securing and training competitive human resources?**

**A:** As we strengthen our sales force and expand our operations, we expect Group-wide hiring to increase from the current 3,700 to 4,000 in 2002. We are planning to hire 200 employees per year worldwide to cover continuing hiring of new people and increasingly diversified employment. By promoting personnel evaluations based on ability and results, we are hiring and cultivating the kind of people who can create breakthroughs, opening up new areas of business and reforming management.

In addition, we are considering the introduction of stock options and other systems to motivate our employees and invigorate the company.

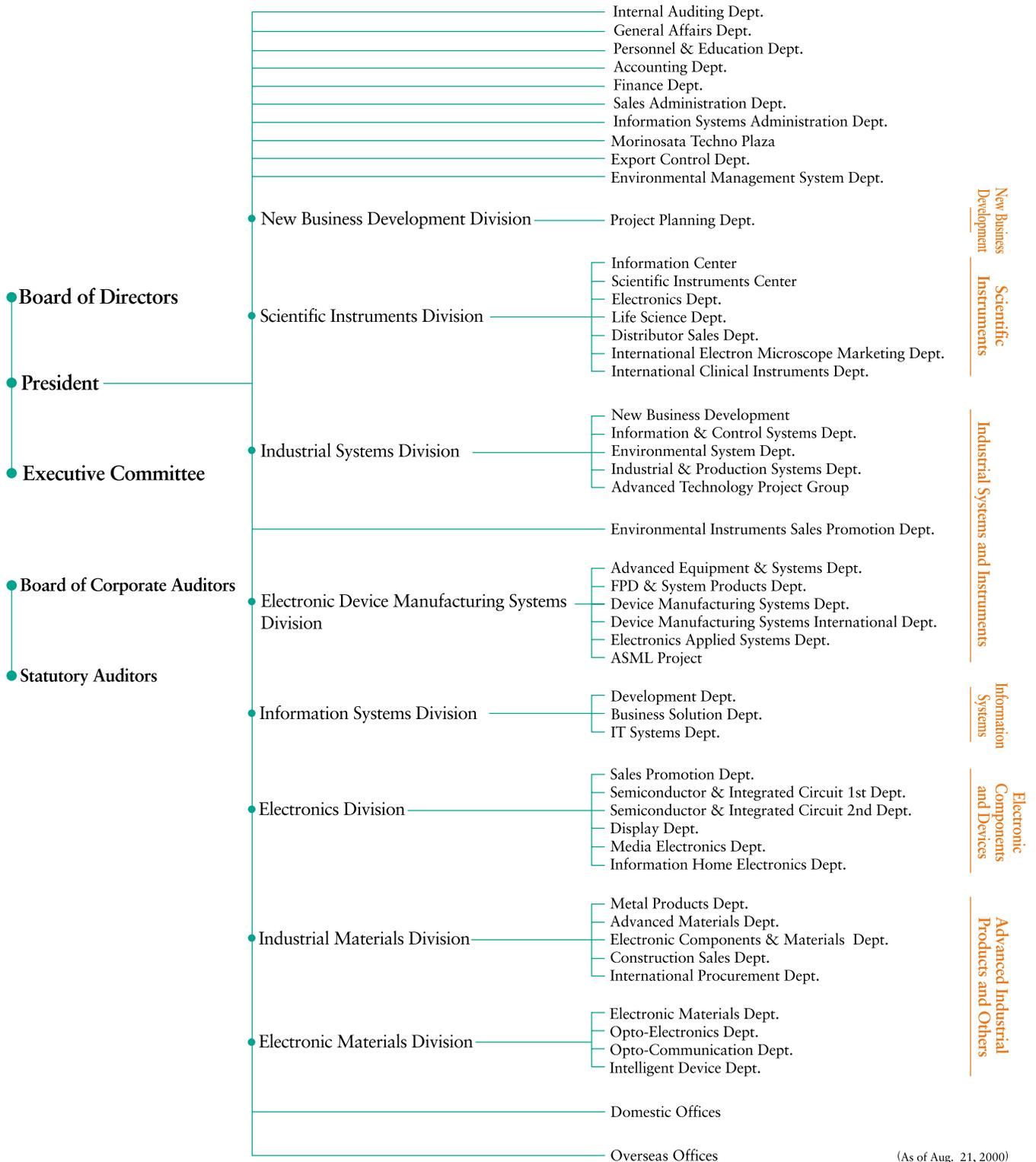
**Q: How will you address managing for shareholder benefit?**

**A:** While strengthening and enhancing our financial standing and our management base, we are committed to an appropriate return of profits to shareholders. The implementation of dividends from all affiliated companies (dividend ratio of 25%) is a target of the Group management, and while issuing dividends with a payout ratio of approximately 40%, we are continuing our stock buy-back program and managing with an emphasis on shareholder value.

**Q: What is your strategy on environmental programs and philanthropy?**

**A:** The Nissei Sangyo Group is deeply aware of its role as a member of society and endeavors to contribute to social progress through its business activities. One example of this was the Nissei Sangyo head office earning the ISO14001 environmental certification last year. Following this, our offices in Japan are expected to gain this certification during fiscal 2000. In addition to promoting environmentally conscious management, we will be working to enrich society through the decisive implementation of our NS2002 plan.

## Nissei Sangyo Corporate Structure



(As of Aug. 21, 2000)

## Scientific Instruments

The Scientific Instruments Division handles a wide array of analytical technology that extends from basic research to evaluation of final products. Specializing in the fields of semiconductors, new materials and information and communications, it enjoys a solid reputation as a trading division with particular strength in electronics. In recent years, it has also aggressively tackled the life science field, primarily with biotechnology-related products, and it has further expanded its range of products in the environmental analysis field, including air and water quality, with the introduction of new mass spectrometers.

The Division's leading products are critical dimension scanning electron microscopes for inspection of semiconductors, automatic clinical analyzers and super-conductive NMR, which is essential for organic analysis and protein analysis. Its extensive product line ranges from multi-purpose items such as spectrophotometers to large-scale products, including ultra-high voltage electron microscopes.

The Division has sales centers in Europe, America, Asia and Japan. Domestically, it places great emphasis on customer satisfaction by utilizing its network of 60

contracted distributors and direct sales teams.

Business results in fiscal 1999 were favorable for analytical instruments for research and development in the biotechnology field,

but there was a decline in multi-purpose products, such as optical



analysis equipment. As a result, the domestic market overall was sluggish. Overseas, while the leading European and U.S. markets for automatic clinical analyzers declined, demand for electron microscopes increased as a result of aggressive investment by global semiconductor manufacturers, and the overseas market overall was firm.

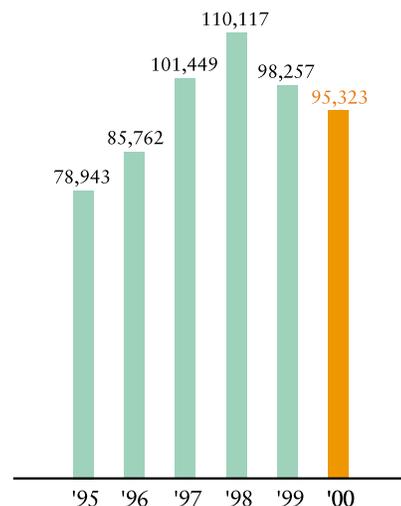
To further expand business, the Division plans to upgrade its overseas best-selling critical dimension scanning electron microscopes for use in semiconductor inspection, and work to aggressively expand sales of new immuno-assay equipment. It will also target further development in the domestic market by expanding its range of protein analysis equipment for the life science field.



### Core of our lineup

- Electron Microscopes and Microanalyzers
- Organic and Biochemical Analyzers
- General Purpose Instruments
- Medical and Clinical Analytical Instruments
- Other Scientific Instruments

Scientific Instruments Group Net Sales (Million ¥)



## Industrial Systems and Instruments

The Industrial Systems Division and the Electronic Device Manufacturing Systems Division exhibit all of Nissei Sangyo's strengths as "sales engineer groups" in the plant and industry field. Development of high added-value projects is implemented from a global perspective with a commitment to customer satisfaction.

Sales of various products such as industrial instrumentation systems, automatic assembly equipment, exhaust gas analysis equipment, semiconductor equipment, liquid crystal-related equipment and electronic surface mounting equipment are handled by personnel who specialize in each respective area. Consequently, our ability to grasp market trends promptly and accurately puts us ahead of our competitors.

In fiscal 1999, sales of semiconductor equipment, liquid crystal-related equipment and electronic surface mounting equipment grew steadily, underpinned by the boom in PCs and mobile terminal equipment. However, with the exception of the automobile and electronic industries, there was no recovery in capital investment in general industrial sectors, which remained sluggish.



### Core of our lineup

- Industrial Instruments and Instrumentation Systems
- Industrial Analyzers and Environmental Monitoring Equipment
- Analytical Instruments for the Automobile Industry
- Inspection Apparatus and Related Equipment
- Electronic Device Production and Process Inspection Equipment Assembling & Testing Systems
- Surface Mount Technology Systems
- Industrial Machinery
- Power Generation and Transmission Systems

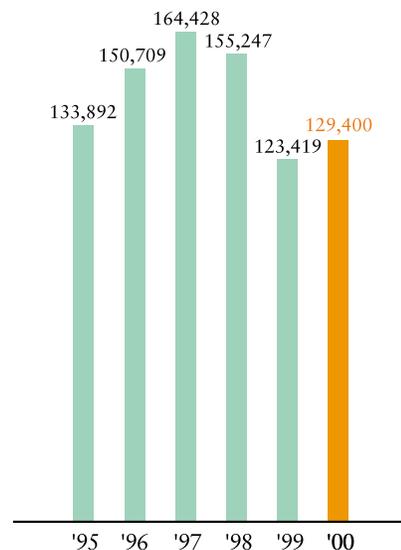
We are implementing the following strategies to further expand business.



We will develop new sources of procurement in the organic electro-luminescence field, the automatic assembly field and the fuel cell field. We will continue to expand sales of promising products including dimension scanning electron microscopes, liquid crystal dispensers, automatic filling equipment and electronic surface mounting equipment. We will develop new markets, with main targets being assembly equipment in the U.S. and electronic surface mounting equipment in China. And we will seek early orders for steppers, scanners and wafer inspection equipment manufactured by ASML.

Due to the dramatic cycles of boom and slump in the semiconductor equipment and liquid crystal-related fields, it is an urgent priority to develop equipment that targets the general industrial sector. For the time being, we are promoting further customer and product development and seeking to expand our lines of business.

**Industrial Instrument Systems Group Sales (Million ¥)**



# Information Systems

The Information Systems Division carries a full line of leading-edge technological products and systems. The range covers large-scale computer systems, servers, PCs peripheral equipment such as disk arrays and printers through to network-related equipment. In addition, by offering integrated, optimal solutions from software development to maintenance and servicing based on close cooperation within the Nissei Sangyo Group, it responds to a full range of customers' needs.

In fiscal 1999, the domestic sales saw growth in corporate business solutions Imported workstations and network-related equipment also experienced favorable results. Meanwhile, there was a significant decline in exports. Mainframe computers and disk arrays for Europe and display monitors for the U.S. were affected by purchases being held off due to the Y2K issues, intensification of competition and a sharp drop in market prices.

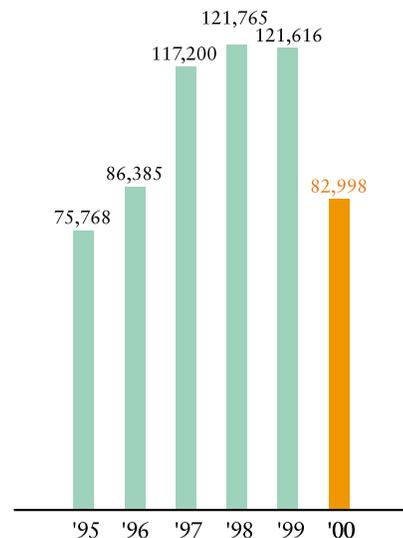
In the future, while a temporary contraction in hardware exports is inevitable, the Division will seek to develop business in network related equipment, where further growth is anticipated, and it is expecting a revival.

In the domestic market, in addition to economic recovery, strategic corporate investment in IT is forecast to accompany the rapid development of the internet and electronic commerce. The Division will further refine its software development and system integration expertise and concentrate on various kinds of business solutions, including outsourcing services. In particular, it will work on developing and providing solutions with unique and differentiate features in areas knowledge management, such as EAI and multi-point videoconference systems. It will seek to develop its business with the aim of being the best solution partner for each and every user.



- Core of our lineup**
- Business Application Solution Services
  - Computer Systems
  - Computer Peripherals
  - Network/Telecommunications Systems

**Information Systems Group Sales (Million ¥)**



# Electronic Components and Devices

The Electronic Components Division supplies a wide range of products through a sales network that extends across 32 locations in 16 countries around the world. The products it handles include semiconductors, system LSIS microprocessors, IC cards, color display tubes and flat panel displays, plus all types of electronic components, rechargeable batteries, as well as multimedia-related products such as televisions, videos, and security equipment. The Division enjoys a solid reputation with customers worldwide for product development that responds accurately to market needs in each country and for stable supply of goods.



In fiscal 1999, semiconductor modules and IC's continued to enjoy favorable growth backed up with increased global production of mobile phones. In addition to a significant increase in lithium ion batteries for South Korea, home use products for the U.S. also enjoyed steady growth with the introduction of new model televisions and

projection televisions. Meanwhile, due to changes in the PC monitor market, color display tubes, which were previously the leading product, suffered a significant decline due to stiff competition and a drop in market prices.

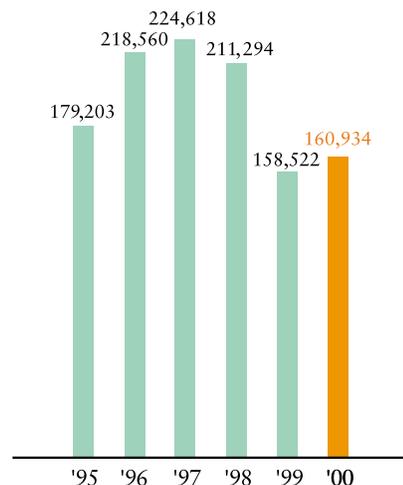
The new mid-term business plan has identified mobile communications and Internet terminals, digital home appliances and for car electronics, as priority areas for expansion of sales for the Division. The Division will seek to enhance its line-up of components based on leading-edge technology, including development of integrated circuits in cooperation with companies in Japan and overseas. It will also actively promote the prompt supply of goods, including the use of electronic commerce, and establish a structure that can respond promptly to customer needs around the world by enhancing and making effective use of its sales network.



### Core of our lineup

- Semiconductor Products
- Electro Tubes & Display Devices
- Electronic Products & Multimedia Systems

**Electronic Components and Devices Group Sales** (Million ¥)



## Advanced Industrial Products and Others

The Advanced Industrial Products Division enjoyed significant progress in fiscal 1999. In the optical communications business, explosive growth in components for laser modules for the WDM communications system that is developing worldwide as the infrastructure of the Internet was particularly noteworthy. Sales of electronic materials, including silicon wafers, were also firm, and liquid crystal-related materials, such as glass, also grew significantly. Moreover, in the opto-electronics field, there was a large increase in exports to Taiwan of chemical materials related to optical disks. There was also an expansion in the applications of optical pick-up components, and sales of optical engine units for liquid crystal projectors grew steadily. Further, there has been an expansion in the application of electronic sensors in new cars accompanying the development of automobile electronic control. In IC tags, the Division bolstered its activities as a solution provider in the distribution and security fields. Meanwhile, industrial materials, such as ordinary steel and synthetic resins, faced a reduction in demand from automobile and home electronics



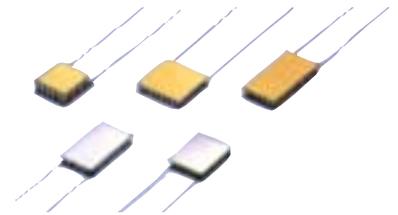
### Core of our lineup

- Special Steel and Metal Products
- Advanced Materials
- Electronic Materials
- Electronic and Electrical Parts
- Building Facilities
- Building Materials

manufacturers, but the decline was held to a minimum.

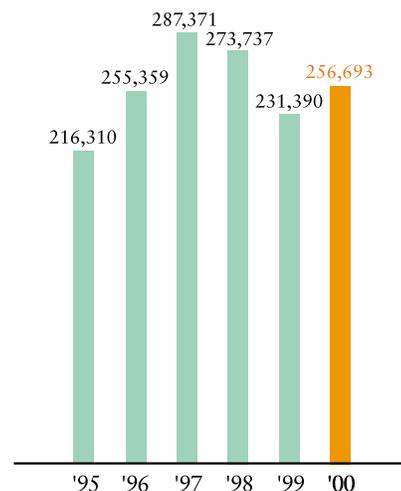
Further, the world's number one automobile manufacturer decided to adopt a Tire Pressure Monitoring Sensor that was developed in cooperation with a Norwegian automobile sensor venture company.

In addition, the Division achieved some landmarks introducing leading edge technology into Japan, such as the large-scale



adoption by the National Police Agency of noctovision cameras manufactured in the U.S. In the future, the Division will dispatch bilingual sales staff with strong technical skills to each sales center around the world while building an e-commerce network. It aims to develop a sales structure to allow One-Stop Shopping from anywhere in the world for semiconductors, liquid crystals, sensors, optical communications components and optical projectors.

Advanced Industrial Products Division Group Sales (Million ¥)



# Group Strategies

## 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.

In fiscal 1999, based on the principle of providing a service where sales generate next sales, the company strengthened its activities in field problem eradication, preventative maintenance and component supply, which should contribute to maintaining and expanding its Hitachi instrumentation business customers. In addition, it has promoted a total solution service that includes after-sales servicing, with the transfer of installation and testing work from Hitachi Science Systems Co., Ltd., and Hitachi Naka Electronics Co., Ltd., on October 1st. It has also developed an integrated multimedia solution business that covers importing and sales through servicing.

In the future, in addition to the expansion of its core business and the development of new businesses, the company will establish a support system to provide uniform service worldwide based on globalization and is seeking to expand its business worldwide.

## Nissei Electronics, Ltd.



**Kiyotada Misaki**  
*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.

In fiscal 1999, the Computer Peripheral Department and the Electronic Devices Department enjoyed favorable conditions underpinned by the worldwide expansion in information and communications-related demand, and the company's overall sales and profit increased. In an intensely competitive environment with a background of rapid technological progress, the company is seeking to increase revenue by constantly creating new businesses, developing a global strategy, achieving highly efficient management, cooperating with other companies in the Nissei Sangyo Group and nurturing outstanding human resources. It is also aiming to consolidate its position as a specialized trading company and achieve further growth.

## 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.

Business in the 3E (energy, ecology and electronics) fields that the company has designated as its priority areas grew significantly as a result of the recovery in the semiconductor and liquid crystal-related markets, an increase in capital investment and aggressive marketing activities. However, industrial materials declined due to the transfer of synthetic resin and construction machinery components businesses to Nissei Sangyo.

In the future, the company will work to develop distinctive functions that respond to customer expectations and establish its core business in the 3E fields, with the aim of forging a reputation as an outstanding example of a global trading company.

## 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.

To summarize fiscal 1999, while the Industrial Systems Department, which focuses on instrumentation equipment, suffered a decline due to curbs on capital investment, the Electronics Department enjoyed favorable conditions.

In the future, the company will focus on the electronics field, which is continuing to grow and develop, and it will seek to further develop its business by acquiring domestic commercial rights for semiconductors and liquid crystal-related equipment, entering the second-hand equipment market and taking positive steps to handle imported equipment.

## Nissei Sangyo America, Ltd.



**Yasuhiko Kobata**  
*President*

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

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

In fiscal 1999, the Information Systems Division suffered a significant slump due to the restructuring costs accompanying the reorganization of the monitor business, which has been undergoing a downturn. Other Divisions enjoyed favorable conditions overall, but these were insufficient to offset the decline in the Information Division. Thus, while sales rose in fiscal 1999, ordinary profit recorded a loss. Therefore, with fiscal 2000 marking a new beginning for the restructured organization, the company will further promote the development of high added-value businesses, such as wafer inspection tool and opto-electronic components, as well as active tackling of new markets in Mexico and South America.

## 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.

In fiscal 1999, significant growth in semiconductors for GSM mobile phones, which originated in Europe and are becoming the global standard, offset the decline in the Information Department. Together with continued firm results for the Scientific Systems Department and the Factory Automation Department, this resulted in increased income, although income before taxes fell slightly compared to fiscal 1998, a year which saw record-setting income.

In the future, the company will increase its competitiveness in its areas of specialization through development that anticipates change, as well as seeking to establish itself as a trading company of value by making necessary investment in its core competencies, developing its corporate structure and promoting exports to Japan.

## Nissei Sangyo (Singapore) Pte. Ltd.



**Iwao Ito**  
*President*

Electronic components and devices, and sales of industrial instruments products systems  
Paid-in capital: S\$2 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 assuring high profitability through attention to sound management, while being committed to contributing to the region.

In fiscal 1999, the ASEAN region left behind the recession of two years before and was in the midst of an economic recovery. The company experienced a rapid recovery in business results as a trading company handling electronics devices and materials. In the fields of electronic materials and equipment, it recorded record results.

In the future, as the Group's key operation in the ASEAN region, the company will strive to become a global business creator by utilizing development that creates value and a strong sales network based on the electronics and information and communication fields in close cooperation with affiliated companies.

## 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

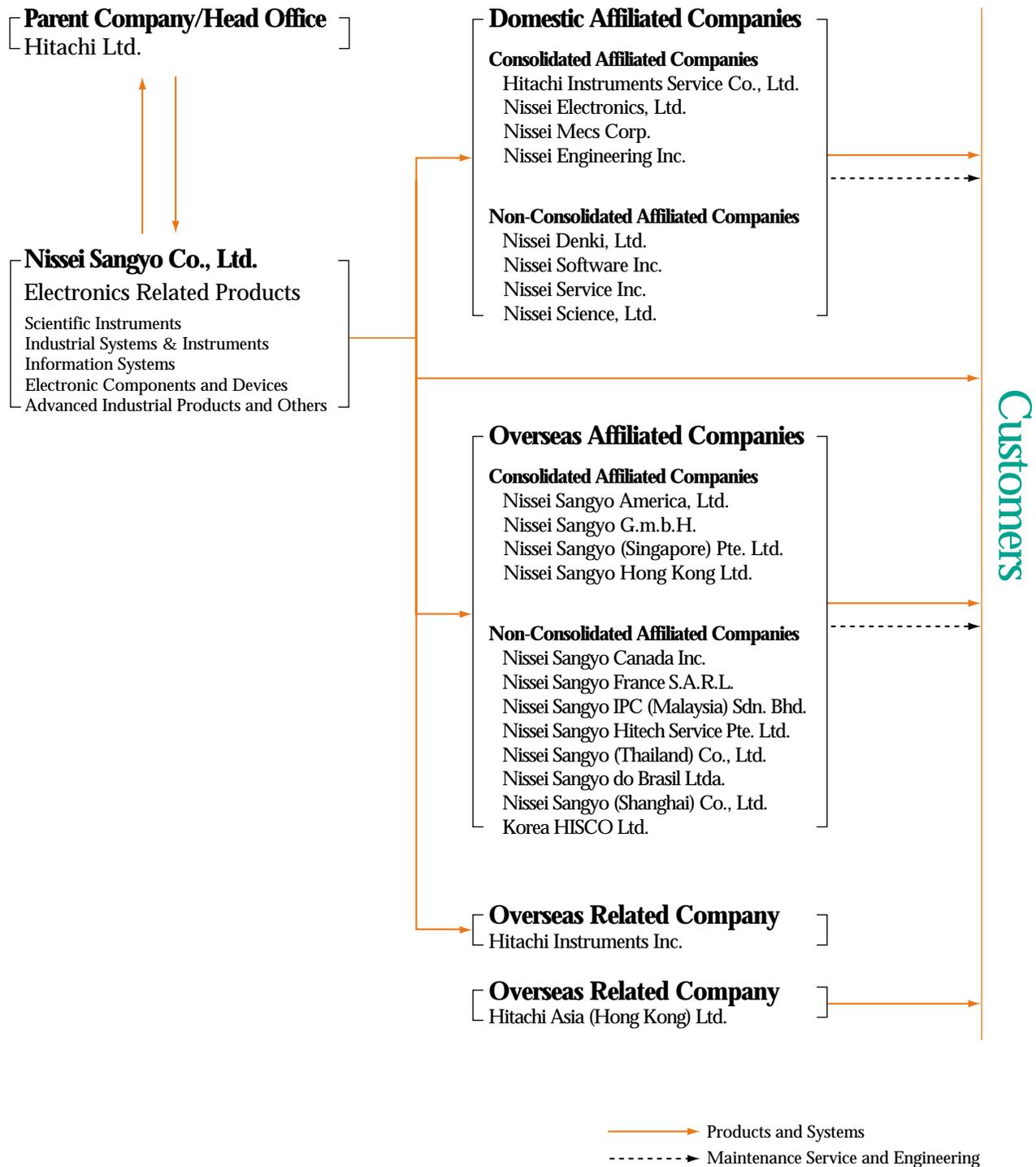
This company is committed to sound management, maintenance of income and promotion of development, and addresses these issues on a company-wide basis.

In fiscal 1999, sales and income recorded relatively positive results. In particular, electronic materials, electronic tubes and semiconductors for Japanese manufacturers posted favorable results.

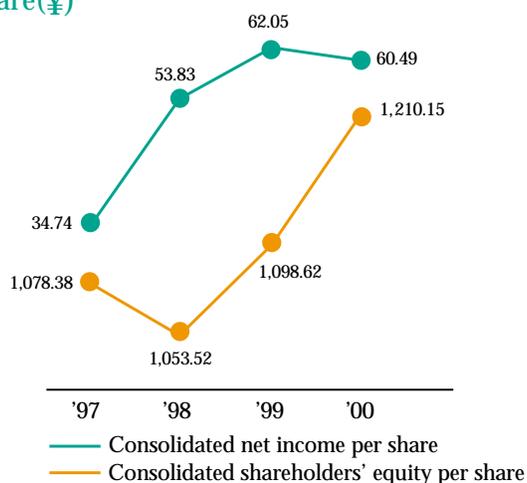
In fiscal 2000, the company will aggressively expand sales of products such as semiconductors, condensers, batteries, crystal oscillators and vibration motors to Chinese mobile phone manufacturers. It will determine a manager for each product and assign a dedicated staff member for each customer. In addition, it is currently considering entering the e-commerce industry in a tie-up with local Hong Kong capital and has a commitment to aggressively tackling new fields.

# Nissei Sangyo Group at a Glance

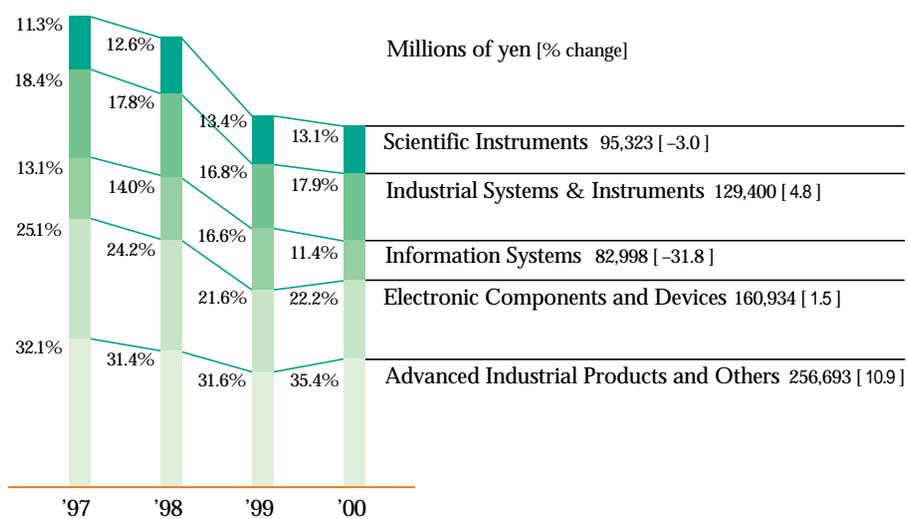
## Nissei Sangyo Consolidated Corporate Structure



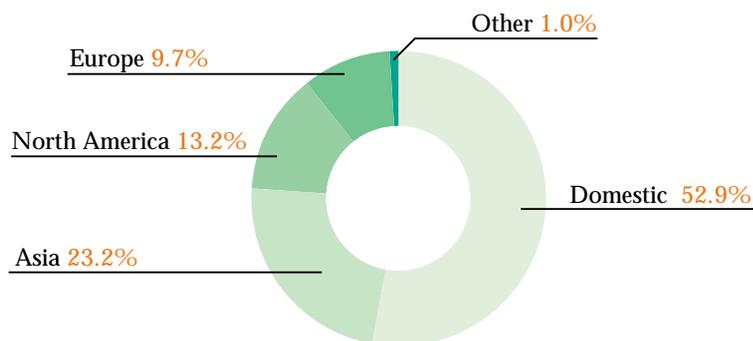
### Consolidated shareholders' equity per share and Consolidated net income per share(¥)



### Breakdown of consolidated net sales by segment (%)



### Breakdown of consolidated domestic and overseas net sales (%)



# Nissei Sangyo Group Network

## Europe

### Nissei Sangyo Co., Ltd.

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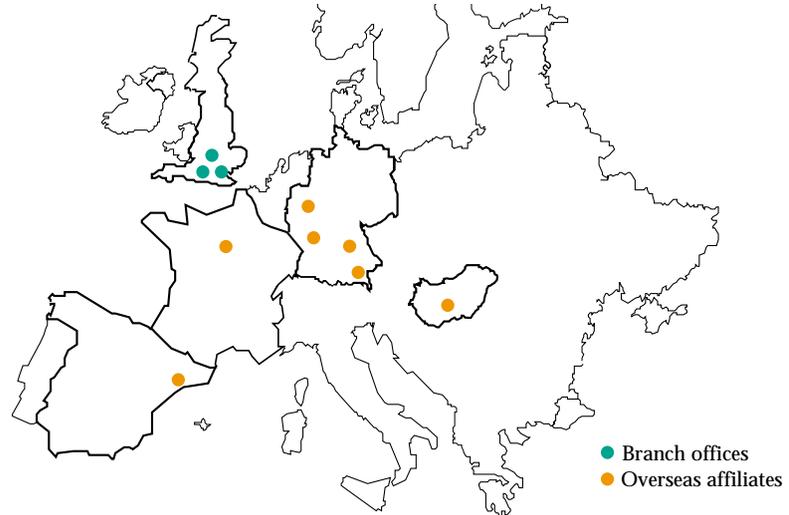
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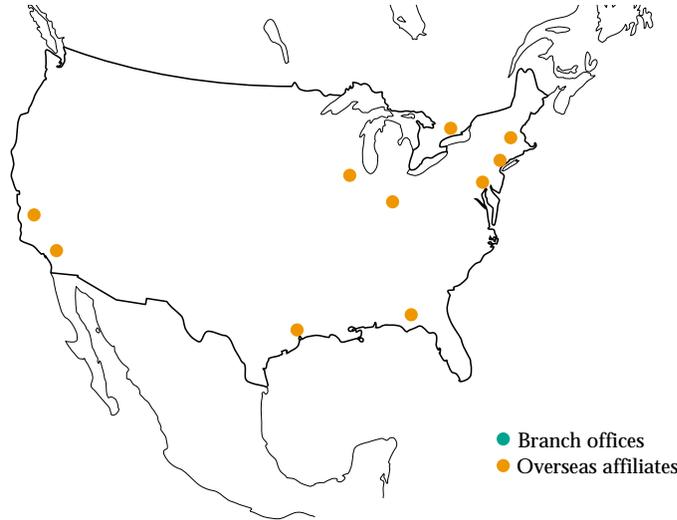
200 Lowder Brook Drive, Suite 2200,  
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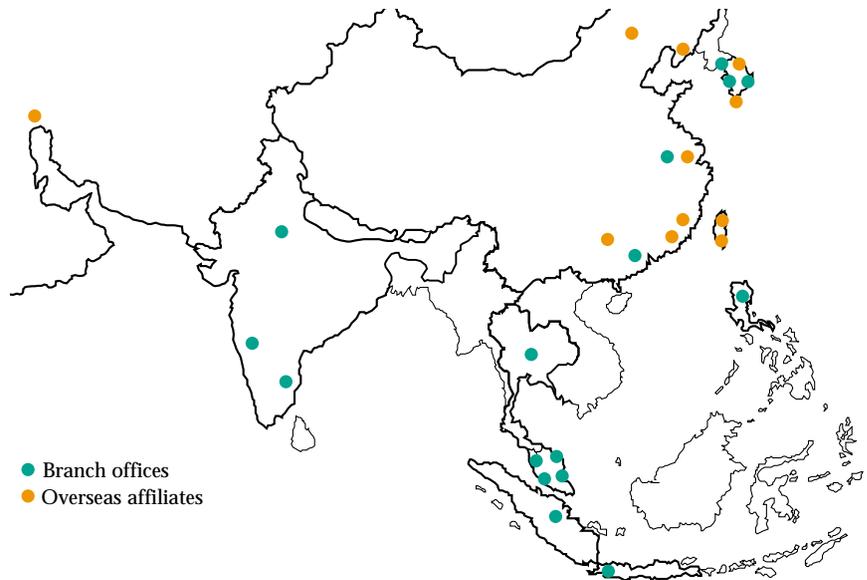
#### Manila Branch Office

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- Overseas affiliates

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### Hitachi Instruments Service Co., Ltd.

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Fax. 886-35-725517

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Fax. 81(11)271-1327

## Tohoku Branch Office

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Fax. 681(22)267-6453

## Ibaraki Branch Office

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Fax. 81(294)23-7635

## Tsukuba Branch Office

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## Yokohama Branch Office

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## Chubu Branch Office

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## Kansai Branch Office

Tel. 81(6)6366-2511  
Fax. 81(6)6366-2516

## Chugoku Branch Office

Tel. 81(82)221-4511  
Fax. 81(82)221-4513

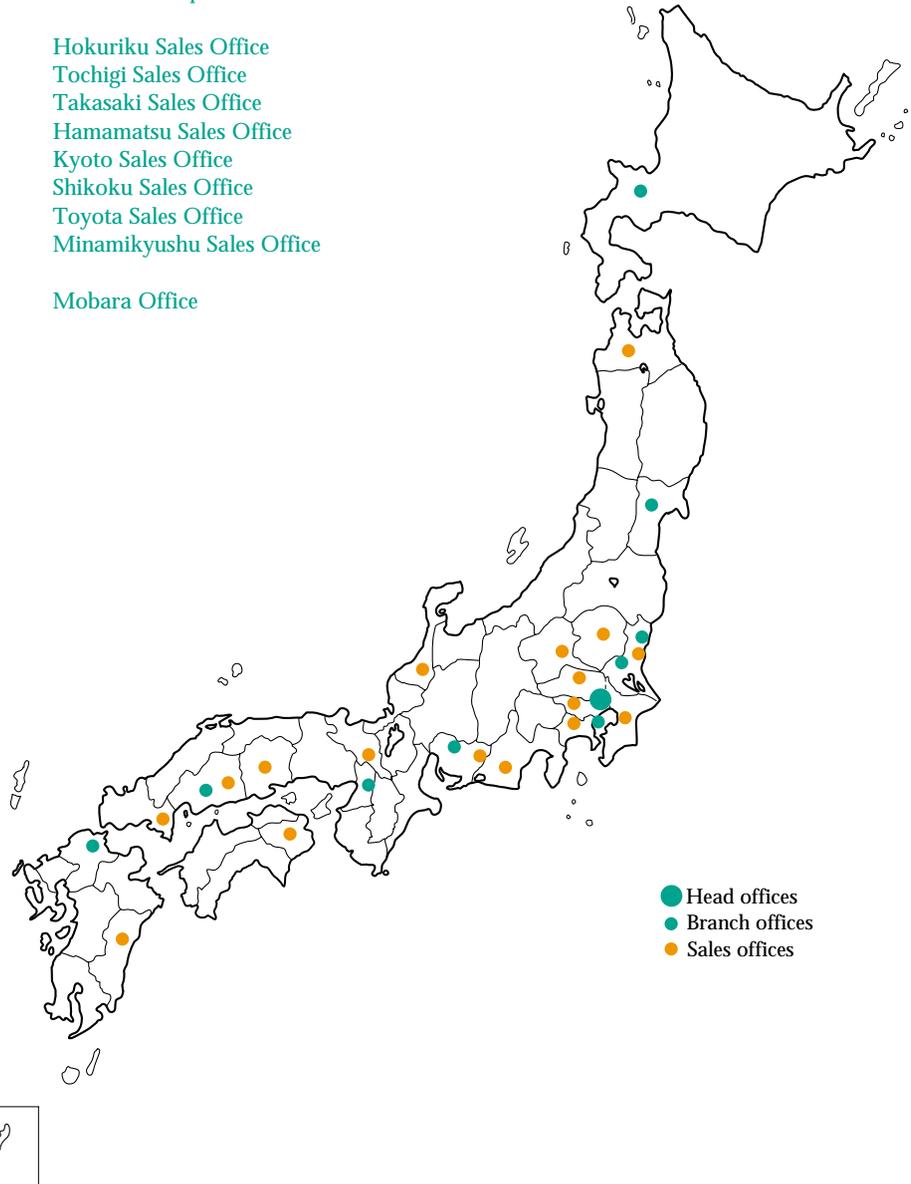
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Fax. 81(92)721-3518

Mito Sales Dept.

Hokuriku Sales Office  
Tochigi Sales Office  
Takasaki Sales Office  
Hamamatsu Sales Office  
Kyoto Sales Office  
Shikoku Sales Office  
Toyota Sales Office  
Minamikyushu Sales Office

Mobara Office



# Board of Directors



President and Representative Director  
Noriaki Higuchi



Senior Executive Managing and  
Representative Director  
Ikuo Kinokuni



Executive Managing Director  
Yuichi Tsunoda



Executive Managing Director  
Akihiko Nozaki



Executive Managing Director  
Wasuke Nakano



Executive Managing Director  
Kazuhiko Wakino



Executive Managing Director  
Yasuhiko Kobata



Board Director  
Yoshiro Kuwata



Board Director  
Hiroshi Inomata



Board Director  
Toru Kawachi



Board Director  
Seiji Okubo



Board Director  
Iwao Ito



Board Director  
Noriyuki Ichikawa



Board Director  
Masumi Miyauchi



Corporate Auditor  
Shin Kimura



Corporate Auditor  
Tadashi Okamoto



Corporate Auditor  
Kaichi Murata



Corporate Auditor  
Shigeyoshi Takase

(As of August 31, 2000)

# Consolidated Financial Section

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

## Contents

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Consolidated Six-Year Summary	23
Consolidated Balance Sheets	24
Consolidated Statements of Income	26
Consolidated Statements of Shareholder's Equity	27
Consolidated Statements Cash Flows	28
Notes to Consolidated Financial Statements	29
Report of Independent Certified Public Accountants on the Consolidated Financial Statements	31

# Consolidated Six-Year Summary

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

For the years ended March 31

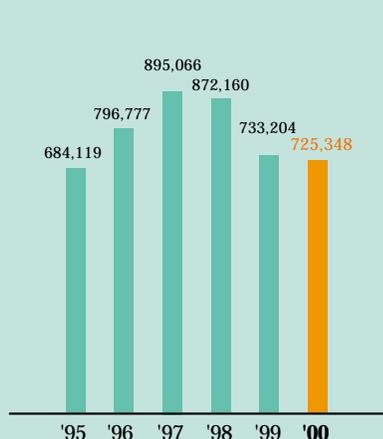
	Millions of Yen						Thousands of U.S. Dollars
	2000	1999	1998	1997	1996	1995	2000
Net sales	¥ 725,348	¥ 733,204	¥ 872,160	¥ 895,066	¥ 796,777	¥ 684,119	\$6,833,236
Operating income	8,275	9,167	8,974	6,819	6,616	4,447	77,956
Income before income taxes	9,795	10,529	9,972	8,233	8,356	6,748	92,275
Net income	5,386	5,540	4,771	2,954	3,972	3,727	50,740
Total assets	305,483	283,713	307,643	297,184	304,623	271,783	2,877,843
Shareholders' equity	106,173	98,091	94,066	91,699	89,951	86,273	1,000,217

	Yen						U.S. Dollars
	2000	1999	1998	1997	1996	1995	2000
Net income per share	¥60.49	¥62.05	¥53.83	¥34.74	¥46.72	¥43.83	\$0.57

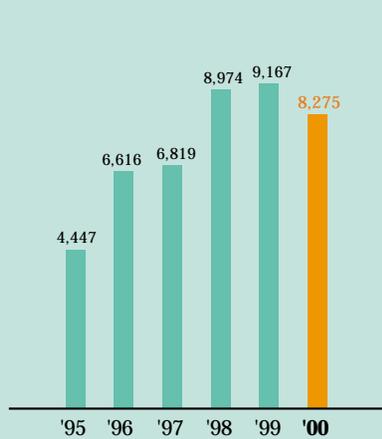
Notes: 1. Since 1997, figures of less than ¥1 million or \$1,000 have been rounded. For 1995 and 1996, figures of less than ¥1 million or \$1,000 have been dropped.

2. U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥106.15=U.S.\$1.00.

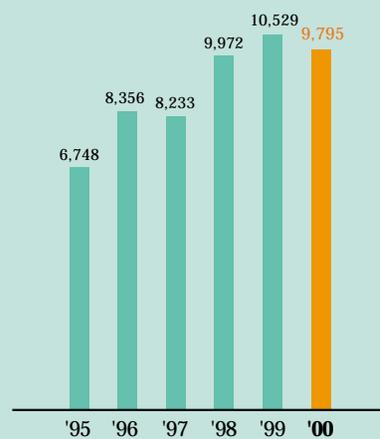
Net sales (Millions of Yen)



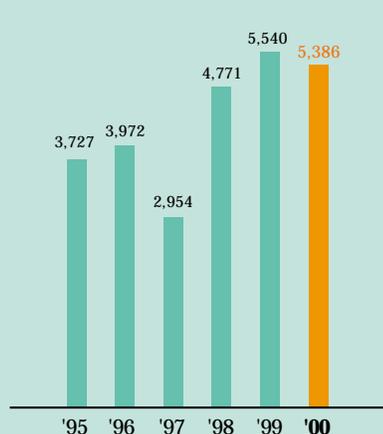
Operating income (Millions of Yen)



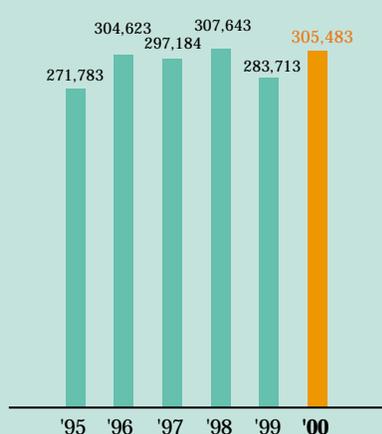
Income before income taxes (Millions of Yen)



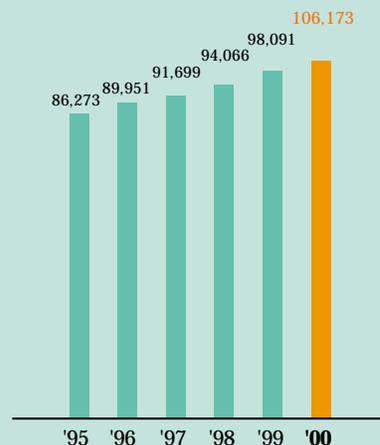
Net Income (Millions of Yen)



Total assets (Millions of Yen)



Shareholders' equity (Millions of Yen)



# Consolidated Balance Sheets

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

As of March 31, 2000 and 1999	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash on hand and in banks	¥ 44,346	¥ 39,392	\$417,767
Marketable securities	11,472	9,174	108,073
Trade receivables:			
Notes	23,442	25,324	220,838
Accounts	136,769	125,065	1,288,450
Less: allowance for doubtful receivables	(1,412)	(1,327)	(13,302)
Advances to suppliers	1,169	2,155	11,013
Inventories	12,409	15,322	116,901
Deferred tax assets (Note 3-H)	4,523	—	42,610
Other current assets	3,817	7,868	35,959
Net current assets	236,535	222,973	2,228,309
<b>Property, plant and equipment:</b>			
Land	19,690	19,181	185,492
Buildings and structures	19,367	18,944	182,449
Machinery and equipment	6,099	6,572	57,457
Construction in progress	—	52	—
Less: accumulated depreciation	(12,361)	(12,228)	(116,448)
Net property, plant and equipment	32,795	32,521	308,950
<b>Investments and other assets:</b>			
Investments in securities:			
Affiliates	4,392	4,012	41,375
Other securities	16,428	9,735	154,762
Lease and guaranty deposits	3,349	2,984	31,550
Deferred tax assets (Note 3-H)	3,261	—	30,721
Other assets	7,167	12,132	67,518
Less: allowance for doubtful receivables	(646)	(1,262)	(6,086)
Total investments and other assets	33,951	27,601	319,840
<b>Foreign currency translation adjustments</b>	2,202	618	20,744
<b>Total assets</b>	<b>¥305,483</b>	<b>¥283,713</b>	<b>\$2,877,843</b>

See accompanying notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Trade payables:			
Notes	¥ 38,852	¥ 35,736	\$ 366,010
Accounts	124,067	114,324	1,168,790
Advances from customers	9,880	8,436	93,076
Income taxes	2,711	1,920	25,539
Other current liabilities	16,566	17,589	156,062
Total current liabilities	192,076	178,005	1,809,477
<b>Long-term liabilities:</b>			
Retirement and severance benefits	7,026	7,422	66,189
Total long-term liabilities	7,026	7,422	66,189
Total liabilities	199,102	185,427	1,875,666
<b>Minority interests</b>	<b>208</b>	195	<b>1,960</b>
<b>Shareholders' equity</b> (Note 4):			
Common stock ¥50 (\$0.47) par value:			
Authorized—148,450,000 shares			
Issued—87,738,730 shares in 2000 and 89,288,730 shares in 1999			
	5,438	5,438	51,229
Additional paid-in capital	9,695	9,695	91,333
Retained earnings	91,044	82,961	857,692
Less: treasury stock, at cost, 3,153 shares in 2000 and 3,129 shares in 1999	(4)	(3)	(37)
Total shareholders' equity	106,173	98,091	1,000,217
<b>Commitments and contingent liabilities</b> (Note 6)			
Total liabilities and shareholders' equity	¥305,483	¥283,713	\$2,877,843

# Consolidated Statements of Income

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
For the years ended March 31, 2000 and 1999			
<b>Net sales</b>	<b>¥725,348</b>	<b>¥733,204</b>	<b>\$6,833,236</b>
<b>Cost of sales</b>	<b>673,704</b>	<b>678,708</b>	<b>6,346,717</b>
Gross profit	<b>51,644</b>	54,496	<b>486,519</b>
<b>Selling, general and administrative expenses</b>	<b>43,369</b>	<b>45,329</b>	<b>408,563</b>
Operating income	<b>8,275</b>	9,167	<b>77,956</b>
<b>Other income:</b>			
Interest	<b>1,173</b>	1,472	<b>11,051</b>
Dividends	<b>133</b>	126	<b>1,253</b>
Gain on sale of securities	<b>899</b>	—	<b>8,469</b>
Others	<b>1,394</b>	633	<b>13,132</b>
Total other income	<b>3,599</b>	2,231	<b>33,905</b>
<b>Other deductions:</b>			
Interest	<b>131</b>	130	<b>1,234</b>
Prior service cost of employee pension fund	<b>1,155</b>	—	<b>10,881</b>
Others	<b>793</b>	739	<b>7,471</b>
Total other deductions	<b>2,079</b>	869	<b>19,586</b>
<b>Income before income taxes and minority interests</b>	<b>9,795</b>	10,529	<b>92,275</b>
<b>Income taxes — current</b>	<b>4,811</b>	4,866	<b>45,322</b>
<b>Income taxes — deferred (Note3-H)</b>	<b>(419)</b>	105	<b>(3,947)</b>
<b>Minority interests</b>	<b>17</b>	18	<b>160</b>
<b>Net income</b>	<b>¥5,386</b>	<b>¥5,540</b>	<b>\$50,740</b>
<b>Net income per share</b>			
	<b>¥60.49</b>	¥62.05	<b>\$0.57</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, 2000 and 1999

	Millions of Yen					
	Issued and outstanding shares (thousands)	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Treasury stock
<b>Balance at March 31, 1998</b>	89,289	¥5,438	¥9,695	¥1,360	¥77,575	¥(2)
Transfer to 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)	—
Increase of treasury stock	—	—	—	—	—	(1)
<b>Balance at March 31, 1999</b>	89,289	¥5,438	¥9,695	—	¥82,961	¥(3)
Cumulative effect of change in accounting principle (Note 3-H)	—	—	—	—	6,905	—
Net income for the year	—	—	—	—	5,403	—
Cash dividends	—	—	—	—	(2,009)	—
Retirement of treasury stock	(1,550)	—	—	—	(2,018)	—
Bonuses to directors	—	—	—	—	(181)	—
Transfer to minority interests	—	—	—	—	(17)	—
Increase of treasury stock	—	—	—	—	—	(1)
<b>Balance at March 31, 2000</b>	<b>87,739</b>	<b>¥5,438</b>	<b>¥9,695</b>	<b>—</b>	<b>¥91,044</b>	<b>¥(4)</b>

	Thousands of U.S. Dollars					
	Issued and outstanding shares (thousands)	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Treasury stock
<b>Balance at March 31, 1999</b>	89,289	\$51,229	\$91,333	—	\$781,545	\$(29)
Cumulative effect of change in accounting principle (Note 3-H)	—	—	—	—	65,049	—
Net income for the year	—	—	—	—	50,900	—
Cash dividends	—	—	—	—	(18,926)	—
Retirement of treasury stock	(1,550)	—	—	—	(19,011)	—
Bonuses to directors	—	—	—	—	(1,705)	—
Transfer to minority interests	—	—	—	—	(160)	—
Increase of treasury stock	—	—	—	—	—	(9)
<b>Balance at March 31, 2000</b>	<b>87,739</b>	<b>\$51,229</b>	<b>\$91,333</b>	<b>—</b>	<b>\$857,692</b>	<b>\$(38)</b>

See accompanying notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

For the year ended March 31, 2000

	Millions of Yen	Thousands of U.S. Dollars
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests	¥9,795	\$92,275
Depreciation and amortization	1,825	17,193
Decrease in allowance and reserves	(906)	(8,535)
Interest income and dividend income	(1,306)	(12,303)
Interest expenses	131	1,234
Other non-cash income and expenses	(223)	(2,101)
Bonuses to directors	(157)	(1,479)
Increase in trade receivables	(12,559)	(118,314)
Decrease in inventories	2,094	19,727
Increase in trade payables	16,546	155,874
Increase (decrease) in other assets and liabilities	5,626	53,000
Other	(855)	(8,055)
Sub-total	20,011	188,516
Receipt of interest and dividend income	1,365	12,859
Payments for interest	(131)	(1,234)
Payments for income taxes	(3,984)	(37,531)
Net cash provided by operating activities	17,261	162,610
<b>Cash flows from investing activities:</b>		
Proceeds from decrease in time deposits	20	188
Payments for purchase of marketable securities	(2,080)	(19,595)
Proceeds from sale of marketable securities	4,496	42,355
Payments for purchase of investment securities	(7,824)	(73,707)
Proceeds from sale of investment securities	1,031	9,713
Payments for purchase of fixed assets	(2,224)	(20,951)
Proceeds from sale of fixed assets	209	1,969
Payments for loan	(1,000)	(9,421)
Proceeds from collection of loan	1,000	9,421
Payments for purchase of other investment	(6,998)	(65,926)
Proceeds from sale of other investment	11,468	108,036
Net cash used in investing activities	(1,902)	(17,918)
<b>Cash flows from financing activities:</b>		
Decrease in short-term loans	(735)	(6,924)
Cash dividends paid	(2,009)	(18,926)
Retirement of treasury stock	(2,018)	(19,011)
Other	(5)	(47)
Net cash used in financing activities	(4,767)	(44,908)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(1,619)	(15,252)
<b>Net increase in cash and cash equivalents</b>	8,973	84,532
<b>Cash and cash equivalents at beginning of year</b>	39,287	370,108
<b>Cash and cash equivalents at end of year</b>	¥48,260	\$454,640

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

For the year ended March 31, 2000

	Millions of Yen	Thousands of U.S. Dollars
Cash on hand and in banks on consolidated balance sheet	¥44,346	\$417,767
CP repurchase	3,999	37,673
Time deposits over 3 months maturity	(85)	(800)
Cash and cash equivalents on consolidated statement of cash flows	¥48,260	\$454,640

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Nissei Sangyo Co., Ltd. and consolidated subsidiaries

## 1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Nissei Sangyo Co., Ltd. (the Company) and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile. 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 ¥106.15=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 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) 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. 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

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 for cause. 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 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) 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

Effective April 1, 1999, the Company and its consolidated domestic subsidiaries adopted "Accounting Standards for Deferred Income Taxes" issued by the Business Accounting Deliberation Council. The standards required that the deferred income taxes are accounted for under the asset and liability method. Under the asset and liability method of the standards, 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. Previously, deferred tax assets and liabilities arising from certain temporary differences have been recognized. The cumulative effect of change in accounting principle for deferred income taxes was to increase retained earnings at April 1, 1999 by ¥6,905 million(\$65,049 thousand) and to increase net income for the year ended March. 31, 2000 by ¥296 million(\$2,789 thousand).

### 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) 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 common stock. 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. Legal reserve of the Company and subsidiaries is reflected in the consolidated financial statements as retained earnings.

## 5. SUPPLEMENTAL INFORMATION

### Consolidated statement of cash flows

In conformity with the amendment of financial accounting standards in Japan from this fiscal year, the Company discloses only the current consolidated statement of cash flows in accordance with the new standards.

## 6. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2000 and 1999, the Companies were contingently liable as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Export bills discounted	¥1,474	¥1,234	\$13,886
Guarantee of payment in business to associated companies and payment of loans granted by banks to employees	1,102	1,164	10,381
Notes receivable endorsed to suppliers	121	130	1,140
Total	¥2,697	¥2,528	\$25,407

# 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**

The Japan Red Cross Bldg.  
1-3, Shiba Daimon 1-chome  
Minato-ku, Tokyo 105-8535,  
Japan

Telephone +81(3)3578-1910

Facsimile +81(3)3578-1913

## **Independent Auditors' Report**

Mr. Noriaki Higuchi  
President and Representative Director  
Nissei Sangyo Co., Ltd.

We have audited, in accordance with generally accepted auditing standards, procedures and practices in Japan, the consolidated balance sheets of Nissei Sangyo Co., Ltd. and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income and shareholders' equity for the years then ended, and cash flows for the year ended March 31, 2000, all expressed in yen (not presented herein). In our report dated June 27, 2000, 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.

*Century Ota Showa & Co.*

Century Ota Showa & Co.  
June 27, 2000

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.

## Contents

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Six-Year Summary	33
Balance Sheets	34
Statements of Income	36
Notes to Financial Statements	37
Report of Independent Certified Public Accountants on the Financial Statements	39

# Six-Year Summary

Nissei Sangyo Co., Ltd.

For the years ended March 31

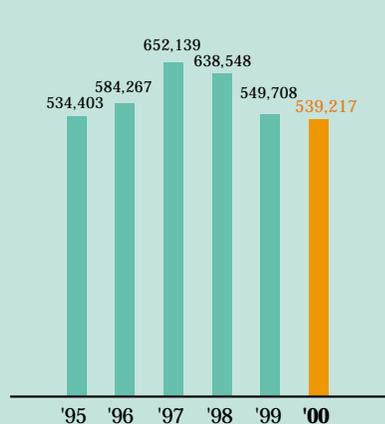
	Millions of Yen						Thousands of U.S. Dollars
	2000	1999	1998	1997	1996	1995	2000
Net sales	<b>¥539,217</b>	¥549,708	¥638,548	¥652,139	¥584,267	¥534,403	<b>\$5,079,767</b>
Operating income	<b>6,312</b>	6,243	5,867	4,579	3,265	2,160	<b>59,467</b>
Income before income taxes	<b>7,977</b>	7,538	7,111	6,016	5,055	4,150	<b>75,150</b>
Net income	<b>4,366</b>	3,815	3,704	2,740	2,451	2,360	<b>41,132</b>
Total assets	<b>231,362</b>	217,645	231,168	232,188	244,713	224,134	<b>2,179,581</b>
Shareholders' equity	<b>84,481</b>	79,991	77,605	76,230	74,610	73,281	<b>795,872</b>

	Yen						U.S. Dollars
	2000	1999	1998	1997	1996	1995	2000
Net income per share	<b>¥49.03</b>	¥42.73	¥41.79	¥32.23	¥28.83	¥27.76	<b>\$0.46</b>

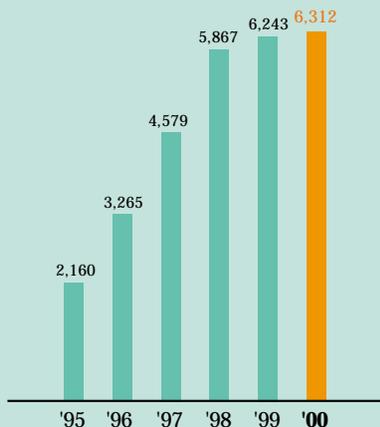
Notes: 1. All figures of less than ¥1 million or \$1,000 have been dropped.

2. U.S. dollar amounts in this report are translated from yen, for convenience only, at the rate of ¥106.15=U.S.\$1.00.

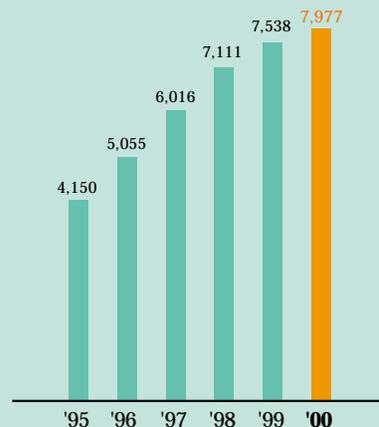
Net sales (Millions of Yen)



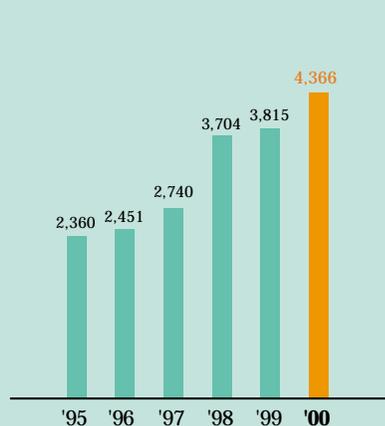
Operating income (Millions of Yen)



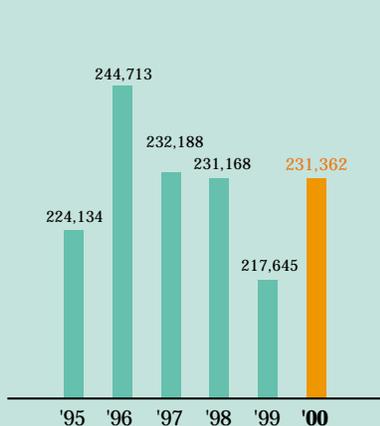
Income before income taxes (Millions of Yen)



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, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash on hand and in banks	¥ 27,198	¥ 21,934	\$ 256,222
Marketable securities	11,288	8,978	106,346
Trade receivables:			
Notes	20,444	21,700	192,604
Accounts	100,861	95,621	950,174
Less: allowance for doubtful receivables	(830)	(1,030)	(7,819)
Advances to suppliers	1,027	2,193	9,683
Inventories	4,800	5,825	45,219
Deferred tax assets (Note 2-F)	2,430	—	22,892
Other current assets	3,525	6,402	33,207
Total current assets	170,745	161,627	1,608,532
<b>Property, plant and equipment:</b>			
Land	18,394	18,424	173,286
Buildings and structures	16,846	16,777	158,701
Machinery and equipment	3,674	3,816	34,612
Less: accumulated depreciation	(9,027)	(8,788)	(85,045)
Net property, plant and equipment	29,886	30,231	281,554
<b>Investments and other assets:</b>			
Investments in securities:			
Subsidiaries and affiliates	4,633	4,633	43,646
Other securities	16,347	9,716	154,000
Lease and guaranty deposits	2,280	1,935	21,480
Deferred tax assets (Note 2-F)	2,129	—	20,056
Other assets	6,049	10,234	56,993
Less: allowance for doubtful receivables	(709)	(732)	(6,682)
Total investments and other assets	30,729	25,787	289,494
Total assets	¥231,362	¥217,645	\$2,179,581

See accompanying notes to financial statements.

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Trade payables:			
Notes	¥ 30,756	¥ 28,944	\$ 289,746
Accounts	94,961	88,898	894,596
Advances from customers	7,030	5,812	66,230
Income taxes	1,970	707	18,564
Accrued expenses	4,012	4,165	37,798
Other current liabilities	4,035	4,638	38,021
Total current liabilities	142,767	133,166	1,344,958
<b>Long-term liabilities:</b>			
Retirement and severance benefits	4,113	4,487	38,750
Total long-term liabilities	4,113	4,487	38,750
Total liabilities	146,880	137,654	1,383,708
<b>Shareholders' equity (Note 3):</b>			
Common stock ¥50 (\$0.47) par value:			
Authorized — 148,450,000 shares			
Issued — 87,738,730 shares in 2000 and 89,288,730 shares in 1999	5,438	5,438	51,233
Additional paid-in capital	9,695	9,695	91,335
Legal reserve	1,359	1,359	12,808
Retained earnings	67,988	63,498	640,495
Total shareholders' equity	84,481	79,991	795,872
<b>Commitments and contingent liabilities (Note 4)</b>			
Total liabilities and shareholders' equity	¥231,362	¥217,645	\$2,179,581



# Notes to Financial Statements

Nissei Sangyo Co., Ltd.

## 1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Nissei Sangyo Co.,Ltd.(the Company) maintains its books of account in conformity with the financial accounting standards 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. 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 ¥106.15=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. 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

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 for cause. 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 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 statements of income.

### F) Income taxes

Income taxes are provided based on amounts required by the tax returns for the period. Effective April 1, 1999, the Company adopted "Accounting Standards for Deferred Income Taxes" issued by the Business Accounting Deliberation Council. The standards required that the deferred income taxes are accounted for under the asset and liability method. Under the asset and liability method of the standards, 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. Previously, deferred tax assets and liabilities arising from temporary differences were not recognized. The cumulative effect of change in accounting principle for deferred income taxes was to increase retained earnings at April 1, 1999 by ¥4,241 million(\$39,953 thousand) and to increase net income for the year ended March 31 2000 by ¥318 million(\$2,996 thousand).

### 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

#### 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 additional paid-in capital.

#### 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 common stock. 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. COMMITMENTS AND CONTINGENT LIABILITIES

At March 31, 2000 and 1999, the Company was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Export bills discounted	<b>¥5,219</b>	¥5,359	<b>\$49,172</b>
Guarantee of payment in business to associated companies and payment of loans granted by banks to employees	<b>678</b>	707	<b>6,395</b>
Notes receivable endorsed to suppliers	<b>121</b>	129	<b>1,142</b>
Total	<b>¥6,019</b>	¥6,197	<b>\$56,709</b>

# Report of Independent Certified Public Accountants on the Financial Statements

Nissei Sangyo Co., Ltd.

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

**Certified Public Accountants**

The Japan Red Cross Bldg.  
1-3, Shiba Daimon 1-chome  
Minato-ku, Tokyo 105-8535,  
Japan

Telephone +81(3)3578-1910

Facsimile +81(3)3578-1913

## **Independent Auditors' Report**

Mr. Noriaki Higuchi  
President and Representative Director  
Nissei Sangyo Co., Ltd.

We have audited, in accordance with generally accepted auditing standards, procedures and practices in Japan, the balance sheets of Nissei Sangyo Co., Ltd. (Parent Company Only) as of March 31, 2000 and 1999 and the related statements of income for the years then ended, all expressed in yen (not presented herein). In our report dated June 27, 2000, 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.

*Century Ota Showa & Co.*

Century Ota Showa & Co.

June 27, 2000

See Note 1 to the condensed financial statements which explains the basis of preparing the financial statements of Nissei Sangyo Co., Ltd. (Parent Company Only) 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

**1,388**

### Number of Shareholders

**6,714**

### Transfer Agent

**Tokyo Securities Co., Ltd.**

5-1, Marunouchi 1-chome,

Chiyoda-ku, Tokyo 100-0005, Japan

(As of March 31, 2000)

## Major Shareholders

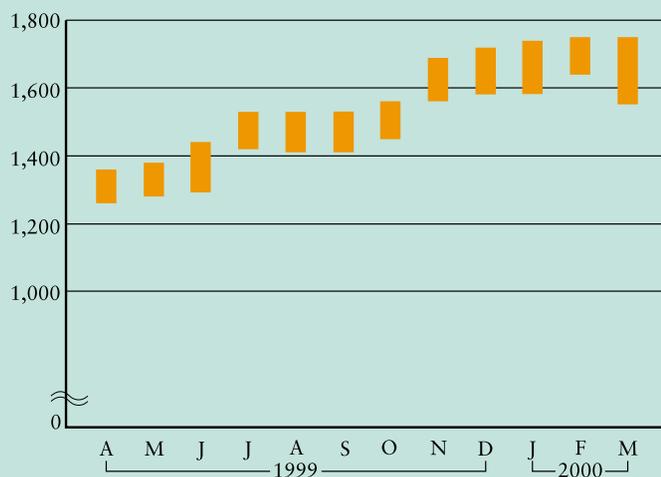
	Number of shares held	
	(thousands)	%
Hitachi, Ltd.	49,607	56.5
The Chase Manhattan Bank NA London	3,393	3.9
The Nissei Sangyo Employees Shareholders Association	2,872	3.3
The Sumitomo Trust and Banking Co., Ltd.	2,053	2.3
The Fuji Bank, Ltd.	1,464	1.7
The Dai-Ichi Kangyo Bank, Ltd.	1,464	1.7
The Dai-Ichi Kangyo Fuji Trust and Banking Co., Ltd.	1,458	1.7
Boston Safe Deposit BSDT Treaty Clients Omeni	1,023	1.2
The Mitsubishi Trust and Banking Co., Ltd.	925	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	196	52,114
Financial Institutions	53	12,538
Security Corporations	23	345
Foreign Individuals and Corporations	54	7,046
Individuals and Other	6,388	15,695
<b>Total</b>	<b>6,714</b>	<b>87,738</b>

(As of March 31, 2000)

## Tokyo Stock Price Index (TOPIX)



## Stock Price Range on the Tokyo Stock Exchange



## Head Office

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Nissei Sangyo Co.,Ltd.

