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# **NOF CORPORATION**

## **Financial Statements 2000**

For the year ended 31 March 2000

# Consolidated Balance Sheets

NOF CORPORATION

31 March 1999 and 2000

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1999	2000	2000
<b>Current Assets:</b>			
Cash, time deposits and certificate of deposits	¥ 17,954	¥ 17,251	\$ 162,515
Money trust for investment in marketable securities	650	—	—
Marketable securities (Note 4)	5,184	2,181	20,546
Notes and accounts receivable	37,945	45,635	433,057
Less: Allowance for bad debts	(500)	(334)	(3,146)
	37,445	45,635	429,911
Inventories	19,196	21,717	204,588
Deferred tax assets (Note 6)	148	1,567	14,762
Other current assets	3,605	3,337	31,436
Total current assets	84,182	91,688	863,758
<b>Investments and Advances:</b>			
Investments in securities (Note 4)	26,299	28,123	264,936
Other long-term investments	5,779	3,422	32,238
	32,078	31,545	297,174
<b>Property, Plant and Equipment (Note 5):</b>			
Buildings and structures	46,124	56,507	532,331
Machinery and equipment	67,056	81,006	763,128
Others	11,903	14,003	131,917
	125,083	151,516	1,427,376
Less: Accumulated depreciation	(85,030)	(106,252)	(1,000,961)
	40,053	45,264	426,415
Land	12,574	21,312	200,772
Construction in progress	1,167	1,411	13,293
	53,794	67,987	640,480
<b>Deferred Tax Assets (Note 6)</b>	58	539	5,078
<b>Deferred Charges and Other Assets</b>	935	2,997	28,235
<b>Foreign Currency Translation Adjustments</b>	1,552	1,637	15,421
	¥172,599	¥196,393	\$1,850,146

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	1999	2000	2000
<b>Current Liabilities:</b>			
Short-term bank loans (Note 5)	¥ 19,326	¥ 26,722	\$ 251,738
Current portion of long-term debt (Note 5)	1,494	15,460	145,643
Notes and accounts payable	27,365	29,774	280,490
Accrued expenses	5,452	6,573	61,922
Income taxes payable (Note 6)	1,235	1,494	14,074
Advance received	4,019	3,579	33,716
Other current liabilities	4,170	4,914	46,294
Total current liabilities	63,061	88,516	833,877
<b>Long-Term Debt</b> (Note 5)	44,544	31,818	299,745
<b>Deferred Tax Liabilities</b> (Note 6)	—	3,312	31,201
<b>Accrued Retirement Benefits to Employees</b> (Note 7)	506	4,424	41,677
<b>Accrued Retirement Benefits to Directors and Corporate Auditors</b> (Note 7)	715	668	6,293
<b>Other Long-Term Liabilities</b>	278	1,142	10,759
<b>Contingent Liabilities</b> (Note 8)			
<b>Minority Interest</b>	2,751	3,193	30,080
<b>Shareholders' Equity</b> (Note 10):			
Common stock: par value at ¥50 per share:			
Authorised: 800,000,000 shares at 31 March 1999 and 2000			
Issued: 218,648,930 shares and 218,650,651 shares			
at 31 March 1999 and 2000, respectively	15,994	15,995	150,683
Additional paid-in capital	13,371	13,372	125,973
Retained earnings (Note 16)	31,379	33,953	319,858
Total shareholders' equity	60,744	63,320	596,514
	¥172,599	¥196,393	\$1,850,146



# Consolidated Statements of Shareholders' Equity

NOF CORPORATION

For the years ended 31 March 1999 and 2000

	Number of shares of common stock (Thousands)	Millions of Yen			
		Common stock	Additional paid-in capital	Legal reserve	Retained earnings
<b>Balance at 31 March 1998</b>	218,648	¥ 15,994	¥ 13,371	¥ 2,684	¥ 29,716
Net income for the year ended 31 March 1999	—	—	—	—	1,244
Cash dividends	—	—	—	—	(1,311)
Bonuses to directors	—	—	—	—	(52)
Increase due to additional affiliates	—	—	—	—	57
Decrease due to additional consolidated subsidiaries	—	—	—	—	(755)
Decrease due to decrease in consolidated subsidiaries	—	—	—	—	(204)
Reclassification of legal reserve	—	—	—	(2,684)	2,684
<b>Balance at 31 March 1999</b>	218,648	15,994	13,371	—	31,379
Net income for the year ended 31 March 2000	—	—	—	—	4,132
Cash dividends	—	—	—	—	(1,311)
Bonuses to directors	—	—	—	—	(51)
Conversion of convertible debentures	2	1	1	—	—
Prior years' tax effect	—	—	—	—	(196)
<b>Balance at 31 March 2000</b>	<b>218,650</b>	<b>¥ 15,995</b>	<b>¥ 13,372</b>	<b>¥ —</b>	<b>¥ 33,953</b>

  

	Number of shares of common stock (Thousands)	Thousands of U.S. Dollars (Note 3)			
		Common stock	Additional paid-in capital	Legal reserve	Retained Earnings
<b>Balance at 31 March 1999</b>	218,648	\$150,673	\$125,963	\$ —	\$295,599
Net income for the year ended 31 March 2000	—	—	—	—	38,926
Cash dividends	—	—	—	—	(12,350)
Bonuses to directors	—	—	—	—	(480)
Conversion of convertible debentures	2	10	10	—	—
Prior years' tax effect	—	—	—	—	(1,837)
<b>Balance at 31 March 2000</b>	<b>218,650</b>	<b>\$150,683</b>	<b>\$125,973</b>	<b>\$ —</b>	<b>\$319,858</b>

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

NOF CORPORATION

For the year ended 31 March 2000

	Millions of Yen	Thousands of U.S. Dollars (Note 3)
	2000	2000
<b>Cash Flows from Operating Activities:</b>		
Net income before income tax	¥ 7,734	\$ 72,859
Adjustments for:		
Depreciation	6,273	59,096
Amortization of excess costs of investments over equity in net assets	202	1,903
Interest and dividend income	(541)	(5,097)
Interest expenses	1,155	10,881
Equity in earnings of affiliates	11	103
Gain on sale of properties	(2,606)	(24,550)
Loss on evaluation of investments in securities	2,277	21,451
Gain and loss on sale of investments in securities, net	(501)	(4,720)
Increase in notes and accounts receivable	(3,569)	(33,622)
Decrease in inventories	1,162	10,947
Decrease in notes and accounts payable	(1,881)	(17,720)
Other, net	(878)	(8,271)
Subtotal	8,838	83,260
Interest and dividend income received	557	5,247
Interest expenses paid	(1,159)	(10,919)
Income tax paid	(3,153)	(29,703)
Net cash provided by operating activities	5,083	47,885
<b>Cash Flows from Investing Activities:</b>		
Payments for purchase of marketable securities	(497)	(4,682)
Proceeds from sales of marketable securities	1,353	12,746
Payments for purchase of investments in securities	(4,170)	(39,284)
Proceeds from sales of investments in securities	3,445	32,454
Payments for purchase of property, plant and equipment	(6,054)	(57,033)
Proceeds from sales of property, plant and equipment	3,562	33,556
Payments for purchase of subsidiary securities	(4,013)	(37,805)
Other, net	1,712	16,129
Net cash used in investing activities	(4,662)	(43,919)
<b>Cash Flows from Financing Activities:</b>		
Increase in short-term bank loans, net	426	4,013
Borrowing of long-term debt	649	6,114
Repayment of long-term loans	(1,198)	(11,286)
Cash dividends paid	(1,311)	(12,350)
Cash dividends to minority interests	(63)	(594)
Net cash used in financing activities	(1,497)	(14,103)
<b>Effect of Exchange Rate Change on Cash and Cash Equivalents</b>	(189)	(1,780)
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,265)	(11,917)
<b>Cash and Cash Equivalents at Beginning of Year</b>	18,474	174,037
<b>Cash and Cash Equivalents at End of Year</b>	¥17,209	\$162,120

The accompanying notes are an integral part of these statements.

# Notes to the Consolidated Financial Statements

NOF CORPORATION

For the years ended 31 March 1999 and 2000

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by NOF CORPORATION (the "Company") and its subsidiaries in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

Consolidated statement of cash flows has been required to be prepared with effect for the year ended 31 March 2000, in accordance with a new accounting standard.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

## 2. Summary of Significant Accounting Policies

### (1) Scope of Consolidation

The Company had 44 subsidiaries (majority-owned companies) as at 31 March 2000 (41 for 1999). The consolidated financial statements include the accounts of the Company and 24 of its subsidiaries for the year ended 31 March 2000 (21 for 1999).

The remaining 20 (20 for 1999) subsidiaries, whose combined asset, net sales and net income in the aggregate are not significant in relation to those of the consolidated financial statements of the Group have been excluded from consolidation.

The accompanying consolidated financial statements include the accounts of the 24 majority owned subsidiaries listed below (the Company and these consolidated subsidiaries are together, referred to as the "Group"):

Name of Subsidiary	Percentage owned by the Company	(Footnote)
(Domestic subsidiary)		
Nippon Koki Co., Ltd.	95.0	*1
Nichiyu Giken Kogyo Co., Ltd.	66.7	
Nippon Dacro Shamrock Co., Ltd.	100.0	
Hokkaido NOF Corporation	100.0	
Nichiyu Trading Co., Ltd.	100.0	
Japex Corporation	68.8	*2
Showa Kinzoku Kogyo Co., Ltd.	74.7	
Taseto Co., Ltd.	100.0	
Nippo Kogyo Co., Ltd.	89.3	
Pyro Safety Device Co., Ltd.	97.5	*2
Nichiyu Service Corporation	100.0	
Yuka Sangyo Co., Ltd.	60.0	
Nippon Yogyo Co., Ltd.	100.0	
Nichiyu Kogyo Co., Ltd.	100.0	
Nichiyu Jidosha Unyu Co., Ltd.	100.0	
Nichibu Sangyo Co., Ltd.	100.0	
Nichiyu Estate Co., Ltd.	100.0	
(Overseas subsidiary)		
Metal Coatings International Inc.	100.0	
Michigan Metal Coatings Co.	100.0	
Georgia Metal Coatings Co.	100.0	
Dacral S.A.	100.0	
U.S. Paint Corporation	100.0	
NOF Europe N.V.	100.0	
P.T. NOF Mas Chemical Industries	55.0	

\*1 The Company acquired the shares of Nippon Koki Co., Ltd. during the year ended 31 March 2000 and has included the subsidiary in the consolidation.

\*2 The Company acquired additional shares of the subsidiaries during the year ended 31 March 2000 and has included those in the consolidation, excluding from scope of the equity method.

The Company and all of its consolidated subsidiaries use a fiscal year ending 31 March, except for Nippon Dacro Shamrock Co., Ltd., Metal Coatings International Inc., Michigan Metal Coatings Co., Georgia Metal Coatings Co., Dacral S.A., U.S. Paint Corporation, NOF Europe N.V., and P.T. NOF Mas Chemical Industries. Those subsidiaries use a fiscal year ending on 31 December. The accounts of those subsidiaries have been consolidated by using the result of operations and account balances for such fiscal year and necessary adjustments have been made for material translation that occurred between the different fiscal year-ends.

Pyro Safety Device Co., Ltd. changed its year-end from 31 December to 31 March, and the Company included the accounts for the 15-month period ended 31 March 2000 in the accompanying consolidated financial statements. Since the

Company acquired shares of Nippon Koki Co., Ltd. on 1 October 1999, it included the accounts for the 6-month period ended 31 March 2000 in the accompanying consolidated financial statements.

**(2) Consolidation and Elimination**

For the purposes of preparing the accompanying consolidated financial statements, any gains/losses in relation to inter-company transactions have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests.

Applicable inter-company accounts have been eliminated.

The cost of investments in the common stock of consolidated subsidiaries is offset by the underlying equity in net assets of such subsidiaries. Effective on 1 April 1999, assets and liabilities in the consolidated subsidiaries are revalued at fair market value when the majority interest in the subsidiaries is purchased.

The differences between the cost of an investment and the amount of underlying equity in net assets of such subsidiaries are deferred and amortized over the estimated years on a straight-line basis, if possible. The other differences are deferred and amortized over 5-year period on a straight-line basis.

**(3) Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of 3 months or less and which represent a minor risk of fluctuations in value.

**(4) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates**

The equity method is applied to investments in 4 affiliates (6 for 1999). Japex Corporation and Pyro Safety Device Co., Ltd. have been included in the consolidation and excluded from the scope of the equity method for the year ended 31 March 2000. The investments in the remaining unconsolidated subsidiaries and affiliates are carried at cost.

The 4 affiliates accounted for by the equity method as at and for the year ended 31 March 2000 are listed below:

Name of Subsidiary	Percentage owned by the Company	(Footnote)
Nagoya Dacro Co., Ltd.	45.6	
Nissan Sekken Co., Ltd.	32.8	
Autoliv Nichiyu Co., Ltd.	40.0	*1
P.T. Sinar Oleochemical International	30.0	

\*1 The company was renamed from Morton Nichiyu, formerly.

**(5) Valuation of Securities**

Marketable securities (current assets) and investments in securities (non-current assets) both quoted and unquoted are principally valued at cost determined by the moving-average method.

Marketable securities held under designated money trusts managed by Japanese trust banking institutions are valued at cost determined by the moving-average method.

Appropriate write-downs are recorded for securities in cases when their value has declined substantially and such impairments of the value are not expected to recover in the near future.

**(6) Allowance for Doubtful Accounts**

The balance of allowance for doubtful accounts represents the amount of the limit established by Japanese income tax laws for allowing deduction (certain prescribed percentage is applied to the balance of receivables) plus an amount deemed necessary to cover possible losses estimated on an individual account basis.

**(7) Inventories**

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

**(8) Property, Plant and Equipment**

Depreciation of property, plant and equipment (excluding buildings) is principally computed by the declining-balance method, based on the estimated useful lives of assets which are prescribed by the Japanese income tax laws. Depreciation of buildings is principally computed by the straight-line method, based on the estimated useful lives of assets which are prescribed by the Japanese income tax laws. The range of useful lives is principally from 2 to 50 years for buildings and structures and from 2 to 15 years for machinery, equipment, furniture and tools.

According to revision of the tax regulations, the Company changed depreciation methods from the declining-balance method to the straight-line method for those buildings (except building fixtures) newly acquired during the year ended 31 March 1999. This change was made in order to allocate more reasonably cost of buildings that are to be used in stable for a long-term period. As a result of this change, depreciation expense and net income before income taxes for the year ended 31 March 1999 decreased by ¥478 million (US\$4,503 thousand) and increased by ¥415 million (US\$3,910 thousand), respectively.

In addition, according to the revision of the tax regulations, the Company reduced useful lives of buildings (except building equipment) during the year ended 31 March 1999. As a result of this change, depreciation expenses and net income before income taxes for the year ended 31 March 1999 increased by ¥153 million (US\$1,441 thousand) and decreased by ¥134 million (US\$1,262 thousand), respectively.

#### **(9) Intangible Assets**

Intangible assets are amortized on the straight-line method same as prescribed by the Japanese income tax laws.

Software for internal use is amortized on the straight-line method over its useful life of 5 years.

Software for internal use capitalized on the balance sheet as of 31 March 1999 is amortized in consistent with the previous accounting method pursuant to "Accounting Standards for Research and Development Cost, etc." and "Practical Guidance for Accounting for Research and Development Costs, and Software Costs" (the JICPA Accounting Committee Report No.12, 31 March 1998).

#### **(10) Accrued Retirement Benefit to Employees**

Employees' retirement benefits, covering employees of the Company and certain consolidated subsidiaries, are provided through unfunded lump-sum benefit plans and funded non-contributory pension plans.

The Company, Nichiyu Trading Co., Ltd., Taseto Co., Ltd., Nichiyu Jidosha Unyu Co., Ltd., Nippo Kogyo Co., Ltd., Hokkaido NOF Corporation, Nichiyu Giken Kogyo Co., Ltd., Nichiyu Kogyo Co., Ltd. and Nichiyu Service Corporation have tax qualified pension plans.

Nippon Dacro Shamrock Co., Ltd., Showa Kinzoku Kogyo Co., Ltd. and Yuka Sangyo Co., Ltd. provide the lump-sum retirement benefit at 100% of the amount that would be required if all eligible employees voluntarily retired at the balance sheet date. The other consolidated subsidiaries provided the lump-sum retirement benefit at 40% of those amounts.

Balance of the accrual as of 31 March 2000 includes ¥3,059 million (US\$28,818 thousand) by revaluation of the related assets and liabilities of the consolidated subsidiaries.

#### **(11) Accrued Retirement Benefit to Directors and Corporate Auditors**

The Company, Nichiyu Trading Co., Ltd., Nichiyu Giken Kogyo Co., Ltd., Yuka Sangyo Co., Ltd., Showa Kinzoku Kogyo Co., Ltd., Nippo Kogyo Co., Ltd., Taseto Co., Ltd. and Nichibu Sangyo Co., Ltd. provide for retirement allowance to directors and corporate auditors, which is calculated as the amount that would be required, based on the pertinent rules of the companies, if all directors and corporate auditors retired at the balance sheet dates.

#### **(12) Leases**

Finance leases other than those that are deemed to transfer the ownership of the leased assets to lessees are accounted for by a method similar to that applicable to ordinary operating leases.

#### **(13) Income Taxes**

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

In the year ended 31 March 2000, the Company and its subsidiaries adopted the deferred tax accounting method in accordance with the amended regulations for preparation of consolidated financial statements. Income taxes were determined using the assets and liability approach, whereby deferred tax assets and liabilities were recognised in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements. The cumulative effect of adopting deferred tax accounting as 1 April 1999 was charged to retained earnings.

In the year ended 31 March 1999, income taxes of the Company and its domestic subsidiaries were provided for at an amount currently payable based on the tax returns filed with tax authorities.

#### **(14) Consumption Tax**

Consumption tax is imposed at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions). The consumption tax imposed on the Company's and its domestic subsidiaries' sales to customers is withheld by the Company or its domestic subsidiaries at the time of sale. The consumption tax withheld upon sale and the consumption tax paid by the Company and its domestic subsidiaries on the purchases of products, merchandise and services from vendors, are not included in the related amounts in the accompanying consolidated statements of income. The consumption tax paid is generally offset against the balance of consumption tax withheld, and the balance is shown in the accompanying consolidated balance sheets as "Other current liabilities".

#### **(15) Appropriation of Retained Earnings**

Under the Commercial Code and Articles of Incorporation of the Company, the plan for appropriation of retained earnings (primarily for cash dividend payments) proposed by the Board of Directors should be approved at the shareholders' meeting, which must be held within three months after the year end.

The appropriation of retained earnings reflected in the accompanying consolidated financial statements represents the results of such appropriations applicable to the immediately preceding financial year. Dividends are paid to shareholders on the shareholders' register at the end of each financial year. As is customary practice in Japan, the payment of bonuses to directors and corporate auditors is made out of retained earnings instead of being charged to income of the year, which constitute a part of appropriations cited above.

The Commercial Code provides that interim cash dividends may be distributed upon approval of the Board of Directors. The Company had paid such interim dividends to its shareholders on the shareholders' register at 30 September each year.

#### **(16) Net Income and Dividends per Share**

Net income per share of common stock is based upon the weighted average number of shares outstanding during each fiscal period.

Cash dividends per share shown for each fiscal period in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years.

### **3. United States Dollar Amounts**

The Company maintains its accounting records in yen. The dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on the basis of ¥106.15 = U.S.\$1, the approximate rate of exchange prevailing on the latest balance sheet date of 31 March 2000. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be converted, realized or settled in dollars at ¥106.15 = U.S.\$1 or at any other rate.

### **4. Marketable Securities and Investments in Securities**

Marketable securities and investments in securities at 31 March 2000 consisted of the following. This note has been required to be prepared in the consolidated financial statements with effect for the year ended 31 March 2000, in accordance with a new accounting standard. Accordingly, the information was not prepared on a consolidated basis for the year ended 31 March 1999.

	Millions of Yen		
	2000		
	Book value	Market value	Unrealized gain/(loss)
Marketable securities:			
Market value available			
Equity securities	¥ 203	¥ 358	¥ 155
Bonds and debentures	100	83	(17)
Other securities	696	691	(5)
	<u>999</u>	<u>¥ 1,132</u>	<u>¥ 133</u>
Market value not available	<u>1,182</u>		
Total	<u>¥ 2,181</u>		
Investments in securities:			
Market value available			
Listed corporate shares	¥21,290	¥38,245	¥16,955
Unlisted corporate shares	362	383	21
Corporate bonds and other	1	1	—
	<u>21,653</u>	<u>¥38,629</u>	<u>¥16,976</u>
Market value not available	<u>6,470</u>		
Total	<u>¥28,123</u>		

	Thousands of U.S. Dollars		
	2000		
	Book value	Market value	Unrealized gain/(loss)
Marketable securities:			
Market value available			
Equity securities	\$ 1,912	\$ 3,372	\$ 1,460
Bonds and debentures	942	782	(160)
Other securities	6,557	6,510	(47)
	<u>9,411</u>	<u>\$ 10,664</u>	<u>1,253</u>
Market value not available	<u>11,135</u>		
Total	<u>\$ 20,546</u>		
Investments in securities:			
Market value available			
Listed corporate shares	\$200,565	\$360,292	\$159,727
Unlisted corporate shares	3,410	3,608	198
Corporate bonds and other	10	10	—
	<u>203,985</u>	<u>\$363,910</u>	<u>\$159,925</u>
Market value not available	<u>60,951</u>		
Total	<u>\$264,936</u>		

The Company reclassified equity shares of ¥2,444 million (US\$23,024 thousand) from marketable securities to investments in securities as of 31 March 2000 due to change in purposes of holding those securities.

## 5. Short-term Bank Loans and Long-term Debt

Short-term bank loans outstanding are generally represented by notes payable issued by the Company to banks and the weighted average interest rate is 1.09% at 31 March 2000.

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

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Long-term loans from financial institutions with mortgage or collateral due up to 2023 at interest rates indicated below	¥ 23,392	¥24,632	\$232,049
2.0 per cent. yen convertible mortgage debentures due 2002	7,646	7,646	72,030
1.1 per cent. yen convertible debentures due 2006	8,000	7,999	75,356
0 per cent. yen convertible debenture due 2000	7,000	7,000	65,944
Total	46,038	47,277	445,379
Less: Current maturities of:			
Long-term loans	1,494	8,460	79,699
Convertible mortgage debentures	—	7,000	65,944
	<u>¥ 44,544</u>	<u>¥31,817</u>	<u>\$299,736</u>

Long-term loans (excluding current maturities) from financial institutions bear interest at an annual average rate of 2.49 per cent. as at 31 March 2000.

Additional information with respect to the Company's convertible mortgage debentures and convertible debentures outstanding at 31 March 2000 were as follows:

	Principal amount at issue (Millions of Yen)	Issued in	Current conversion/exercise price per share (Yen) <small>(Subject to adjustment in certain circumstances)</small>	Number of shares issuable upon full conversion/exercise (Thousands)	Annual sinking fund requirements <small>(Subject to amount reduction for subsequent conversions, repurchases and redemption)</small>
2.0 per cent. yen convertible mortgage debentures due 15 July 2002	¥10,000	15 July 1987	¥1,334.9	5,727	¥1,500 million on 30 November 2000 and 2001
1.1 per cent. yen convertible debentures due 31 March 2006	¥ 8,000	20 December 1996	¥ 581.0	13,767	None
0 per cent. yen convertible debentures due 20 December 2000	¥ 7,000	20 December 1996	¥ 581.0	<u>12,048</u>	None
				<u>31,542</u>	

In accordance with customary business practices in Japan, the Company maintains substantial deposit balances with institutions from which the Company has borrowings. Withdrawal of such deposits is not restricted legally or by contract.

The Company's assets pledged as collateral for short-term and long-term loans from banks and other financial institutions (including current maturity), convertible mortgage debentures and convertible debentures at 31 March 2000 were summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Marketable securities	¥ 740	\$ 6,971
Property, plant and equipment at book value	<u>25,009</u>	<u>235,601</u>
	<u>¥25,749</u>	<u>\$242,572</u>

## 6. Income Taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities as of 31 March 2000 was 42.0%. At 31 March 2000, significant components of deferred tax assets and liabilities are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2000	2000
Deferred tax assets:		
Accrued bonus	¥ 528	\$ 4,974
Accrued retirement benefits	457	4,305
Unrealized earnings	324	3,052
Accrued enterprise tax	128	1,206
Tax loss carry forward	429	4,042
Valuation differences	1,284	12,096
Others	1,375	12,953
	<u>4,525</u>	<u>42,628</u>
Valuation allowance	(427)	(4,023)
Total deferred tax assets	<u>4,098</u>	<u>38,605</u>
Deferred tax liabilities:		
Special depreciation	(3,105)	(29,251)
Valuation differences	(2,097)	(19,755)
Others	(122)	(1,149)
Total deferred tax liabilities	<u>(5,324)</u>	<u>(50,155)</u>
Net deferred tax liabilities	<u>¥(1,226)</u>	<u>\$(11,550)</u>

At 31 March 2000, the reconciliation of the statutory tax rate to the effective income tax rate is as follows:

	2000
Statutory tax rate	42.0%
Increase (decrease) in taxes resulting from	
Entertainment expense	3.2
Amortization of cost in excess of net assets acquired	1.1
Dividends received	0.9
Foreign tax credit	(2.6)
Tax loss carry forward utilized	(1.4)
Others	0.9
Effective tax rate	<u>44.1%</u>

## 7. Retirement Plan

The Company has a pension plan (funded and non-contributory) to cover employees (excluding directors and statutory auditors) of the Company. The benefits under this plan are determined generally by reference to the average rate of pay, length of service and conditions under which retirement occurs. The pension plan of the Company provides for a lump-sum payment or annuity payments for a 10-year period after retirement, at the option of the employees when they retire with at least 20 years of participation in the plan and at the age of 50 or older. Employees retiring with less than 20 years of participation are entitled to a lump-sum payment.

The unfunded prior service cost of the pension plan is being amortised over about a 10-year period. As at 31 March 2000, the most recent valuation date of fund assets, the accumulated balance of the fund assets aggregated ¥10,803 million (US\$101,771 thousand).

## 8. Contingent Liabilities

As at 31 March 2000, the Group was contingently liable for guarantees of loans as follows:

	Millions of Yen	Thousands of U.S. Dollars
As an endorser of notes discounted or endorsed	<u>¥1,709</u>	<u>\$16,100</u>
As a guarantor of indebtedness of:		
P.T. Sinar Oleochemical International	<u>¥2,029</u>	<u>\$19,114</u>
Amagasaki Utility Services	<u>961</u>	<u>9,053</u>
Others	<u>400</u>	<u>3,769</u>
	<u>¥3,390</u>	<u>\$31,936</u>

## 9. Derivative Financial Instruments

The Group uses derivative financial instruments, which comprise principally forward exchange contracts and interest rate swap agreements, to reduce its exposure to market risks from fluctuations in foreign currency exchange and interest rates. The Group has established a control environment which includes policies and procedures for the approval of and monitoring of transactions involving derivative financial instruments. The Group does not hold or issue financial instruments for trading purposes.

The Group is exposed to certain market risks arising from its forward exchange contracts and interest rate swap agreements. The Group is also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest; however, the Group does not anticipate non-performance by any of these counterparties all of whom are domestic financial institutions with high credit ratings.

The forward exchange contracts at 31 March 2000 were as follows:

	Millions of Yen		
	Notional amount	Market value	Unrealised gain/(loss)
To sell:			
U.S. dollars	¥ 20	¥ 20	¥(0)
To buy:			
U.S. dollars	¥ 7	¥ 7	¥(0)
	Thousands of U.S. Dollars		
	Notional amount	Market value	Unrealised gain/(loss)
To sell:			
U.S. dollars	\$188	\$188	\$(0)
To buy:			
U.S. dollars	\$ 66	\$ 66	\$(0)

The above amounts exclude contracts entered into in order to hedge receivables and payables denominated in foreign currencies which have been translated and reflected at the corresponding contracted rates in the accompanying consolidated balance sheet as of 31 March 2000.

The interest rate swap agreements outstanding at 31 March 2000 were as follows:

	Millions of Yen	
	Notional amount	Unrealised gain/(loss)
Interest rate swap agreements:		
Fixed-rate into variable-rate obligations	¥1,300	¥ 74
Variable-rate into fixed-rate obligations	¥5,986	¥(61)
	Thousands of U.S. Dollars	
	Notional amount	Unrealised gain/(loss)
Interest rate swap agreements:		
Fixed-rate into variable-rate obligations	\$12,247	\$ 697
Variable-rate into fixed-rate obligations	\$56,392	\$(575)

## 10. Shareholders' Equity

The Commercial Code of Japan provides that an amount equal to at least 10 per cent. of cash distributions paid out of retained earnings (cash dividends and officers' bonuses) each year should be appropriated to legal reserve until such reserve equals 25 per cent. of paid-in capital. This reserve may be transferred to common stock or used to reduce a deficit through suitable shareholder and director actions, but is not available for dividend payment.

The Company's Board of Directors, with subsequent approval by the shareholders, has made annual appropriation of retained earnings for various purposes, the accumulated balance of which is presented as "Voluntary reserves" in the accompanying non-consolidated financial statements. Any disposition of such appropriations shall be at the discretion of the Board of Directors and shareholders.

## 11. Leases

The Group leases certain machinery and equipment and other assets. Total lease payments under these leases were ¥578 million and ¥602 million (US\$5,671 thousand) for the years ended 31 March 1999 and 2000, respectively.

Pro forma information relating to acquisition costs, accumulated depreciation and future minimum payments for assets held under finance leases which do not transfer ownership of the leased assets to the lessee on an "as if capitalized" basis for the years ended 31 March 1999 and 2000, is as follows:

	Millions of Yen		
	1999		
	Machinery and equipment	Other	Total
Acquisition costs	¥ 1,968	¥ 946	¥ 2,914
Accumulated depreciation	(904)	(572)	(1,476)
Net leased assets	<u>¥ 1,064</u>	<u>¥ 374</u>	<u>¥ 1,438</u>

	Millions of Yen		
	2000		
	Machinery and equipment	Other	Total
Acquisition costs	¥ 2,065	¥ 1,038	¥ 3,103
Accumulated depreciation	(1,110)	(656)	(1,766)
Net leased assets	<u>¥ 955</u>	<u>¥ 382</u>	<u>¥ 1,337</u>

	Thousands of U.S. Dollars		
	2000		
	Machinery and equipment	Other	Total
Acquisition costs	\$ 19,453	\$ 9,779	\$ 29,232
Accumulated depreciation	(10,457)	(6,180)	(16,637)
Net leased assets	<u>\$ 8,996</u>	<u>\$ 3,599</u>	<u>\$ 12,595</u>

Future minimum lease payments under finance leases as of 31 March 1999 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Due within one year	¥ 546	¥ 540	\$ 5,087
Due after one year	892	797	7,508
Total	<u>¥ 1,438</u>	<u>¥ 1,337</u>	<u>\$ 12,595</u>

The acquisition costs and future minimum lease payments under finance leases include the imputed interest expense portion.

Depreciation expense, which is not reflected in the accompanying consolidated statement of income, computed by the straight-line method, would have been ¥578 million and ¥602 million (US\$5,671 thousand) for the years ended 31 March 1999 and 2000, respectively.

Obligations under non-cancelable operating leases as of 31 March 1999 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Due within one year	¥ 47	¥ 40	\$ 377
Due after one year	107	114	1,074
Total	<u>¥ 154</u>	<u>¥ 154</u>	<u>\$ 1,451</u>

## 12. Research and Development Costs

The charges to income for research and development activities of the Group for the year ended 31 March 2000 were as follows:

	Millions of Yen		
	SG&A expenses	Cost of sales	Total
2000	<b>¥4,446</b>	<b>¥1,462</b>	<b>¥5,908</b>

  

	Thousands of U.S. Dollars		
2000	<b>\$41,884</b>	<b>\$13,773</b>	<b>\$55,657</b>

The information for 1999 was not disclosed in the consolidated financial statements.

## 13. Expense for Land Improvement

The Company paid improvement cost for soil and underground water at the site of Mikuni Plant.

## 14. Segment Information

### (1) Industry Segments

The Group operates principally the following industry segments categorized based on similarity of products and markets.

	Millions of Yen						
	1999						
	Chemicals	Explosives & Propulsion	Coatings	Others	Total	Elimination/Corporate	Consolidated
Sales							
Sales to customers	¥ 65,321	¥ 23,176	¥ 32,782	¥ 14,667	¥ 135,946	¥ —	¥ 135,946
Inter-segment	2,043	623	146	5,100	7,912	(7,912)	—
Total	67,364	23,799	32,928	19,767	143,858	(7,912)	135,946
Operating expenses	66,181	21,296	32,729	19,799	140,006	(7,947)	132,059
Operating income/(loss)	¥ 1,182	¥ 2,503	¥ 199	¥ (32)	¥ 3,852	¥ 35	¥ 3,887
Assets	¥ 57,484	¥ 29,501	¥ 37,796	¥ 12,058	¥ 136,839	¥ 35,760	¥ 172,599
Depreciation	2,871	1,028	1,532	359	5,790	—	5,790
Capital expenditure	4,216	1,198	801	320	6,535	—	6,535

  

	Millions of Yen						
	2000						
	Chemicals	Explosives & Propulsion	Coatings	Others	Total	Elimination/Corporate	Consolidated
Sales							
Sales to customers	<b>¥ 68,027</b>	<b>¥ 36,119</b>	<b>¥ 34,045</b>	<b>¥ 14,216</b>	<b>¥ 152,407</b>	<b>¥ —</b>	<b>¥ 152,407</b>
Inter-segment	<b>316</b>	<b>738</b>	<b>213</b>	<b>4,792</b>	<b>6,059</b>	<b>(6,059)</b>	<b>—</b>
Total	<b>68,343</b>	<b>36,857</b>	<b>34,258</b>	<b>19,008</b>	<b>158,466</b>	<b>(6,059)</b>	<b>152,407</b>
Operating expenses	<b>65,224</b>	<b>33,016</b>	<b>33,143</b>	<b>18,323</b>	<b>149,706</b>	<b>(6,065)</b>	<b>143,641</b>
Operating income/(loss)	<b>¥ 3,119</b>	<b>¥ 3,841</b>	<b>¥ 1,115</b>	<b>¥ 685</b>	<b>¥ 8,760</b>	<b>¥ 6</b>	<b>¥ 8,766</b>
Assets	<b>¥ 58,613</b>	<b>¥ 55,131</b>	<b>¥ 37,877</b>	<b>¥ 11,721</b>	<b>¥ 163,342</b>	<b>¥ 33,050</b>	<b>¥ 196,393</b>
Depreciation	<b>2,831</b>	<b>1,538</b>	<b>1,478</b>	<b>426</b>	<b>6,273</b>	<b>—</b>	<b>6,273</b>
Capital expenditure	<b>4,481</b>	<b>1,641</b>	<b>1,014</b>	<b>234</b>	<b>7,370</b>	<b>—</b>	<b>7,370</b>

Thousands of U.S. Dollars							
2000							
	Chemicals	Explosives & Propulsion	Coatings	Others	Total	Elimination/ Corporate	Consolidated
Sales							
Sales to customers	\$640,857	\$340,264	\$320,725	\$133,924	\$1,435,770	\$ —	\$1,435,770
Inter-segment	2,977	6,952	2,007	45,144	57,080	(57,080)	—
Total	643,834	347,216	322,732	179,068	1,492,850	(57,080)	1,435,770
Operating expenses	614,451	311,031	312,228	172,615	1,410,325	(57,136)	1,353,189
Operating income/(loss)	\$ 29,383	\$ 36,185	\$ 10,504	\$ 6,453	\$ 82,525	\$ 56	\$ 82,581
Assets	\$552,171	\$519,369	\$356,825	\$110,420	\$1,538,785	\$311,352	\$1,850,146
Depreciation	26,670	14,489	13,924	4,013	59,096	—	59,096
Capital expenditure	42,214	15,459	9,553	2,204	69,430	—	69,430

The amounts of assets included in the column "Elimination/Corporate" are ¥36,255 million and ¥33,731 million (US\$317,767 thousand) for the years ended 31 March 1999 and 2000, respectively, which includes surplus working fund (cash and securities) and long-term investment fund (investment in securities).

## (2) Geographic Segments

Segment information classified by geographic area (inside and outside Japan) for years ended 31 March 1999 and 2000 is as follows:

Millions of Yen					
1999					
	Japan	Other	Total	Elimination/ Corporate	Consolidated
Sales					
Sales to customers	¥ 127,174	¥ 8,772	¥ 135,946	¥ —	¥ 135,946
Inter-segment	470	470	940	(940)	—
Total	127,644	9,242	136,886	(940)	135,946
Operating expenses	124,659	8,417	133,076	(1,017)	132,059
Operating income/(loss)	¥ 2,985	¥ 825	¥ 3,810	¥ 77	¥ 3,887
Assets	¥ 125,545	¥ 11,426	¥ 136,971	¥ 35,628	¥ 172,599

Millions of Yen					
2000					
	Japan	Other	Total	Elimination/ Corporate	Consolidated
Sales					
Sales to customers	¥141,487	¥10,920	¥152,407	¥ —	¥152,407
Inter-segment	575	340	915	(915)	—
Total	142,062	11,260	153,322	(915)	152,407
Operating expenses	134,741	9,852	144,593	(952)	143,641
Operating income/(loss)	¥ 7,321	¥ 1,408	¥ 8,729	¥ 37	¥ 8,766
Assets	¥158,455	¥10,823	¥169,278	¥27,115	¥196,393

Thousands of U.S. Dollars					
2000					
	Japan	Other	Total	Elimination/ Corporate	Consolidated
Sales					
Sales to customers	\$1,332,897	\$102,873	\$1,435,770	\$ —	\$1,435,770
Inter-segment	5,417	3,203	8,620	(8,620)	—
Total	1,338,314	106,076	1,444,390	(8,620)	1,435,770
Operating expenses	1,269,346	92,811	1,362,157	(8,968)	1,353,189
Operating income/(loss)	\$ 68,968	\$ 13,265	\$ 82,233	\$ 348	\$ 82,581
Assets	\$1,492,746	\$101,960	\$1,594,706	\$255,440	\$1,850,146

The amounts of assets included in the column "Elimination/Corporate" are ¥36,255 million and ¥33,731 million (US\$317,767 thousand) for the years ended 31 March 1999 and 2000, respectively, which includes surplus working fund (cash and securities) and long-term investment fund (investment in securities).

### (3) Sales to Foreign Customers

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
Overseas sales	¥ 16,080	¥ 19,010	\$ 179,086
Consolidated sales	135,946	152,407	1,435,770
Ratio	11.8%	12.5%	12.5%

## 15. Supplementary Cash Flow Information

The relationship between cash and cash equivalents as at 31 March 2000 and the account booked in the balance sheet is as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2000	2000
Cash, time deposits and certificate of deposits	¥17,251	\$162,516
Marketable securities	2,181	20,546
	19,432	183,062
Time deposits with maturity periods exceeding three months	(888)	(8,365)
Equity securities and debentures with maturity periods exceeding three months	(1,335)	(12,577)
Cash and cash equivalents	¥17,209	\$162,120

Assets and liabilities of newly consolidated subsidiaries are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2000	2000
Current assets	¥ 9,747	\$ 91,823
Non-current assets	16,685	157,183
Costs in excess of net assets	905	8,527
Current liabilities	(13,451)	(126,717)
Non-current liabilities	(8,565)	(80,688)
Minority interest	(270)	(2,544)
Acquisition cost of shares of the subsidiaries	5,051	47,584
Cash and cash equivalents	(1,038)	(9,779)
Payments for acquisition of subsidiary securities	¥ 4,013	\$ 37,805

## 16. Subsequent Events

(A) The appropriation of retained earnings including cash dividends in respect of the year ended 31 March 2000 was approved at the shareholders' meeting held on 29 June 2000 as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Appropriations:	
Cash dividends (¥3.0 per share)	¥655	\$6,171
Directors' bonuses	37	348
	¥692	\$6,519

(B) The Company resolved, at the board of directors' meeting on 19 May 2000, to transfer the coatings business to Nippon R-M Co., Ltd. on 30 September 2000, in order to reform a structure of the paint business and to establish a competitive position as a global supplier for our customers. The basic joint venture agreement and the business transfer agreement will be concluded in early and late July 2000, respectively. The business transfer was approved at the shareholders' meeting on 29 June 2000.

**(1) Summary of the Business to Be Transferred:**

(i) The Company transfer production, sales and R&D activities in relation to various types of paints for automotive, industrial and marine coatings.

(ii) Financial results of the coatings business for the year ended 31 March 2000

	Millions of Yen	Thousands of U.S. Dollars
Sales	¥25,300	\$238,342
Gross profit	6,200	58,408
Operating profit	430	4,051

(iii) Balance sheet of the coatings business as of 31 March 2000

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥13,594	\$128,064
(accounts receivable)	9,201	86,679
Fixed assets	12,810	120,678
(land)	3,846	36,232
Total assets	26,404	248,742

(iv) Consideration of the transfer will be determined based on the market value as of 30 September 2000 and settled in cash on that day.

**(2) Nippon R-M Co., Ltd.**

Date of incorporation	1 June 1981
Place of head office	Yokohama
Representative director	Jun-ichi Hayakawa
Amount of share capital	¥336 million (US\$3,165 thousand)
Number of employees	56
Shareholders	The Company (50%) BASF Coatings (50%)

Nippon R-M Co., Ltd. will be renamed BASF NOF Coatings Co., Ltd. and share capital will have been increased to ¥10 billion (\$94 million) by 30 September 2000.

# Report of Independent Certified Public Accountants

The Board of Directors  
NOF CORPORATION

We have audited the accompanying consolidated balance sheets of NOF CORPORATION and its consolidated subsidiaries as at 31 March 1999 and 2000, and the related consolidated statements of income and shareholders' equity for the years then ended and the statement of cash flows for the year ended 31 March 2000, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of NOF CORPORATION and its consolidated subsidiaries as at 31 March 1999 and 2000, and the consolidated results of their operations for the years then ended and their cash flows for the year ended 31 March 2000, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

As described in Note 2, effective for the year ended 31 March 2000, NOF CORPORATION and its consolidated subsidiaries have adopted new Japanese accounting standards for preparation of consolidated financial statements, research and development costs and income taxes.

The amount expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

Tokyo, Japan  
29 June 2000

*Chuoogama Audit Corporation*

**Non-Consolidated Balance Sheets (Unaudited)**

NOF CORPORATION

31 March 1999 and 2000

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
<b>Current Assets:</b>			
Cash, time deposits and certificate of deposits	¥ 12,020	¥ 9,466	\$ 89,176
Money trust for investment in marketable securities	650	—	—
Marketable securities	2,938	53	499
Receivables:			
Trade notes and accounts	22,081	24,527	231,060
Subsidiaries and affiliates	10,432	10,109	95,233
Others	1,392	2,566	24,173
	33,905	37,202	350,466
Less: Allowance for bad debts	(392)	(203)	(1,912)
	33,513	36,999	348,554
Inventories	15,052	15,305	144,183
Other current assets	929	1,288	12,134
Total current assets	65,102	63,111	594,546
<b>Investments and Advances:</b>			
Investments in securities	20,386	22,185	208,997
Investments in and advances to subsidiaries and affiliates	13,806	18,311	172,501
Long-term loans to employees	181	196	1,847
Other long-term investments	3,091	1,832	17,258
	37,464	42,524	400,603
<b>Property, Plant and Equipment:</b>			
Buildings and structures	40,024	40,833	384,672
Machinery and equipment	70,151	70,698	666,020
	110,175	111,531	1,050,692
Less: Accumulated depreciation	(77,557)	(80,145)	(755,016)
	32,618	31,386	295,676
Land	10,793	12,376	116,590
Construction in progress	1,001	1,286	12,114
	44,412	45,048	424,380
<b>Deferred Charges and Other Assets</b>	1,987	1,651	15,554
	¥148,965	¥152,334	\$1,435,083

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
<b>Current Liabilities:</b>			
Short-term bank loans	¥ 15,847	¥ 15,847	\$ 149,289
Commercial paper	—	—	—
Current maturities of long-term debt	574	14,119	133,010
Payables:			
Trade notes and accounts	20,668	21,073	198,521
Subsidiaries and affiliates	3,069	3,081	29,025
Others	2,599	3,446	32,463
	26,336	27,600	260,009
Accrued expenses	4,725	4,969	46,811
Income taxes payable	748	817	7,697
Consumption tax withheld	515	244	2,299
Other current liabilities	3,878	3,486	32,840
Total current liabilities	52,623	67,082	631,955
<b>Long-Term Debt</b>	42,129	30,425	286,623
<b>Accrued Retirement Benefits to Directors and Corporate Auditors</b>	564	550	5,181
<b>Contingent Liabilities</b>			
<b>Shareholders' Equity:</b>			
Common stock:			
Authorized: 800,000,000 shares at 31 March 1999 and 2000			
Issued, par value ¥50 per share: 218,648,930			
and 218,650,651 shares at 31 March 1999 and 2000, respectively	15,994	15,994	150,674
Additional paid-in capital	13,371	13,372	125,973
Legal reserve	2,817	2,951	27,800
Voluntary reserves	14,300	14,300	134,715
Special reserves	5,427	3,424	32,256
Retained earnings	1,740	4,236	39,906
Total shareholders' equity	53,649	54,277	511,324
	¥148,965	¥152,334	\$1,435,083

**Non-Consolidated Statements of Income (Unaudited)**

NOF CORPORATION

For the years ended 31 March 1999 and 2000

	Millions of Yen		Thousands of U.S. Dollars
	1999	2000	2000
<b>Net Sales</b>	¥111,252	<b>¥111,421</b>	<b>\$1,049,656</b>
<b>Cost of Sales</b>	87,465	<b>84,412</b>	<b>795,214</b>
Gross profit	23,787	<b>27,009</b>	<b>254,442</b>
<b>Selling, General and Administrative Expenses</b>	22,384	<b>22,183</b>	<b>208,978</b>
Operating income	1,403	<b>4,826</b>	<b>45,464</b>
<b>Other Income (Expenses):</b>			
Interest and dividend income	1,362	<b>1,107</b>	<b>10,429</b>
Interest expenses	(964)	<b>(789)</b>	<b>(7,433)</b>
New bond issue expense	(117)	—	—
Gain on sale/disposal of properties	2,283	<b>2,446</b>	<b>23,043</b>
Loss on disposal of obsolete inventory items	(323)	<b>(343)</b>	<b>(3,231)</b>
Gain on sales of investments in securities	1,797	<b>467</b>	<b>4,399</b>
Gain on bad debt reserve	71	—	—
Loss on write-down of marketable securities and investment securities	(2,376)	<b>(2,229)</b>	<b>(20,999)</b>
An extra retirement payment due to the closure of Shinmei factory	—	<b>(220)</b>	<b>(2,073)</b>
Loss resulting from reduction of acquisition cost of alternative assets	—	<b>(43)</b>	<b>(405)</b>
Loss on liquidation of affiliates	(234)	<b>(600)</b>	<b>(5,652)</b>
Expenses for land improvement	(1,178)	—	—
Expenses for relocation of factory	—	—	—
Others, net	610	<b>26</b>	<b>245</b>
	931	<b>(178)</b>	<b>(1,677)</b>
Income before income taxes	2,334	<b>4,648</b>	<b>43,787</b>
<b>Income Taxes</b>	1,193	<b>1,798</b>	<b>16,938</b>
Net income	¥ 1,141	<b>¥ 2,850</b>	<b>\$ 26,849</b>
		Yen	U.S. Dollars
<b>Per Share:</b>			
Net income—primary	¥ 5.2	<b>¥ 13.0</b>	<b>\$ 0.12</b>
Net income—fully diluted	4.8	<b>11.9</b>	<b>0.11</b>
Cash dividends applicable to the year	6.0	<b>6.0</b>	<b>0.06</b>
		Thousands	
<b>Weighted Average Number of Shares</b>	218,648	<b>218,650</b>	

# Corporate Information

## BOARD OF DIRECTORS AND AUDITORS

### President & Chief Executive Officer

Masayasu Uno

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### Senior Managing Directors

Shohei Sakai  
Mitsuta Shibata

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### Managing Directors

Eiju Ishida  
Hiroo Ohi  
Shoichi Kobayashi  
Kunihiko Tanaka  
Yohei Nakajima  
Shingo Yamazaki

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### Statutory Auditors

Yukinori Haruta  
Mamoru Yamada  
Mitsuru Annen  
Kohzo Enomoto

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(as of June 2000)

## CORPORATE DATA

**Founded:** 1 June 1937

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**Incorporated:** 1 July 1949

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**Capital:** ¥15,994 million (as of 31 March 2000)

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**Employees:** 2,120 (as of 31 March 2000)

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**Head Office:** Yebisu Garden Place Tower,  
20-3, Ebisu 4-chome,  
Shibuya-ku, Tokyo 150-6019, Japan

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### Major Shareholders:

The Fuji Bank, Ltd.  
The Yasuda Trust & Banking Co., Ltd.  
The Nissan Fire & Marine Insurance Co., Ltd.  
The Yasuda Fire & Marine Insurance Co., Ltd.  
The Yasuda Mutual Life Insurance Co.  
Japan Energy Corp.  
The Mitsubishi Trust & Banking Corp., Shintaku Acc.  
The Industrial Bank of Japan, Ltd.  
Nissan Motor Co., Ltd.  
Nichiyu Sineikai



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