

**NISSHO IWAI**

NISSHO IWAI CORPORATION

Annual Report 2001



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All forward-looking information in this annual report is subject to risks and uncertainties that could cause actual results to differ materially from this information, which is based on assumptions and beliefs in light of the information currently available to the management.

### ON THE COVER:

Nissho Iwai has moved its Tokyo headquarters to the Tokyo waterfront business area and started its new business era. (Photo: Sight from new Tokyo headquarters in the Odaiba district)

## FINANCIAL HIGHLIGHTS

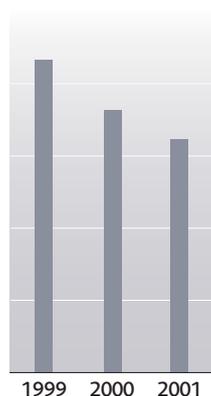
NISSHO IWAI CORPORATION AND CONSOLIDATED SUBSIDIARIES

|                                      | Millions of yen |            |            | Thousands of<br>U.S. dollars |
|--------------------------------------|-----------------|------------|------------|------------------------------|
|                                      | 2001            | 2000       | 1999       | 2001                         |
| <b>For the years ended March 31:</b> |                 |            |            |                              |
| Total trading transactions.....      | ¥6,474,402      | ¥7,281,304 | ¥8,658,906 | \$52,212,919                 |
| Gross trading profit.....            | 287,731         | 267,719    | 272,899    | 2,320,411                    |
| Operating income.....                | 62,253          | 49,088     | 44,982     | 502,040                      |
| Net income (loss).....               | 20,041          | 10,220     | (98,542)   | 161,621                      |
| <b>As of March 31:</b>               |                 |            |            |                              |
| Total assets.....                    | ¥3,613,977      | ¥4,078,286 | ¥4,658,033 | \$29,144,976                 |
| Shareholders' equity.....            | 120,276         | 182,446    | 166,834    | 969,968                      |
| <b>Per share amounts:</b>            |                 |            |            |                              |
|                                      | Yen             |            |            | U.S. cents                   |
| Net income (loss).....               | ¥ 22.92         | ¥ 11.69    | ¥ (112.69) | 18.48c                       |

Note: Yen amounts have been translated for convenience only, at ¥124=US\$1.

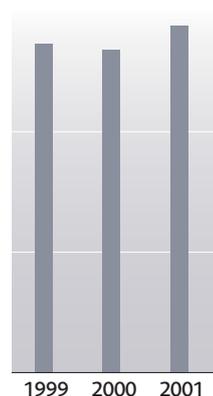
Total Trading Transactions  
(Billions of Yen)

8,659 7,281 6,474



Gross Trading Profit  
(Billions of Yen)

273 268 288



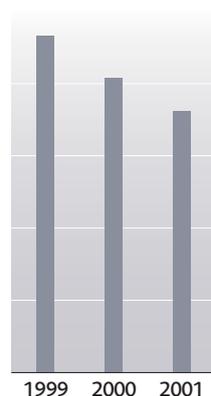
Net Income  
(Billions of Yen)

-99 10 20



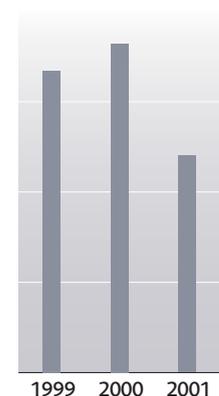
Total Assets  
(Billions of Yen)

4,658 4,078 3,614



Shareholders' Equity  
(Billions of Yen)

167 182 120





On March 31, 2001, Nissho Iwai Corporation completed the second year of its Medium-Term Management Plan 2002. While I will elaborate on the progress of the plan later, for now, I would just like to mention that efforts to reduce total assets and interest-bearing debt for a reinforced financial position, which is an objective of the plan, are proceeding at an accelerated pace. Reform of the earnings structure, the other objective, is also proceeding smoothly, as demonstrated by record performance in operating income and net income.

#### Performance

In the fiscal year under review, ended March 31, 2001, gross trading profit rose 7.5% to ¥287.7 billion despite an 11.1% decline in consolidated net sales to ¥6,474.4 billion. The gross trading profit ratio improved from 3.68% to

4.44%, and management's income-oriented policies became apparent through such activities as the pullout of unprofitable businesses. Operating income rose 26.8% to reach a record high of ¥62.3 billion. The Company secured consolidated net income of ¥20.0 billion in spite of recording an extraordinary loss of ¥126.9 billion incurred in measures to achieve greater asset soundness, which included accelerated implementation of mark-to-market accounting and expenses incurred in structural reorganization.

However, management deeply regrets to report that dividend payments were forgone in the fiscal year under review, as the Company accelerated the application of mark-to-market accounting to eliminate latent losses by recording an evaluation loss on marketable securities as a separate component of shareholders' equity.

#### Status Report on Medium-Term Management Plan 2002

Over the past two years, Nissho Iwai has been simultaneously focusing efforts on the three reforms outlined below with an understanding that nothing is more essential than the construction of a fundamental management framework.

##### 1. Management System Reforms

*July 1999: Reduction in Board of Director Members and Introduction of Executive Officer System*

The number of directors was dramatically reduced from 37 to 10 as a means of empowering and revitalizing the Board of Directors while promoting accelerated decision making. Concurrently, the Company introduced an executive officer system to clearly demarcate between the roles of management and business administration. With this system in



place, 22 highly talented executive officers were positioned on the front lines of division company operations and administrative sections to concentrate their operational duties.

*July 2000: Terms of Office Shortened for Directors and Executive Officers*  
Nissho Iwai shortened the terms of office for directors and executive officers from two years to one to respond to changes in the management environment and adaptively construct an optimal management structure. The Company also clarified management and executive officer responsibilities and promoted a performance-based personnel structure.

*January 2001: Establishment of Director Nomination Committee*  
A director nomination committee has been established as the organ charged with deliberating on and nominating candidates for the positions of director

and executive officer, responding to inquiries from the Company president regarding candidacy for corporate auditor positions, and discussing such issues as ideal candidates for directorship and succession plans for the cultivation of future director candidates.

*February 2001: Establishment of Director Remuneration Committee*

A director remuneration committee was formed as a counsel of the Board of Directors with the responsibility for enacting and removing remuneration assessment systems for directors and executive officers, determining remuneration for directors (including the Company president) and executive officers based on performance and peer evaluations, reviewing retirement bonuses and standard benefits, as well as providing counsel to corporate auditors.

*July 2001: Establishment of Advisory Board*

An advisory board, which consists of experts from outside the Company and the Company president, was formed in order to provide counsel on Company management goals and strategies; express views and recommendations on Company president remuneration, performance evaluation and promotion; and take suggestions on such issues as remuneration, performance evaluation and screening systems for directors, corporate auditors and executive officers.

This series of reforms will provide clear and impartial managerial structures and systems, strengthen corporate governance and ensure the security of shareholder profits.

**2. Reform of Business System**

*April 2000: Introduction of a Division Company System*

By introducing an internal company structure that accounts for the impending shift to a holding company structure,

1. decision making will be accelerated and the responsibilities of each division company will be clarified,
2. restructuring of the business portfolio will be accelerated as a result of applying principles of market competition to the scope of each business area,
3. and asset and capital efficiency will be raised through a transition to economies of scale and an optimal capital structure.

These measures are aimed at expanding consolidated net income.

After completing a trial period of one year, full application of the system was initiated in the current fiscal year.

**3. Reorganization of Personnel System**

I am convinced that the greatest asset and resource of a *sogo shosha* is its personnel. Based on that belief, we universally implemented a performance-based salary system, introduced stock options for all employees and introduced and enforced such elements as public personnel recruitment and employee financing systems with the aim of making timely use of talented, enthusiastic employees, motivating every employee to make contributions, and preparing and reporting appropriate evaluations. These measures represent an attempt to unite all staff to further improve performance and contribute to maximum shareholders' value.

Results for the past two years are provided below.

● **Improvement in Financial Position through Asset Reduction**

On a consolidated basis, Nissho Iwai reduced total assets by ¥1,044.0 billion and interest-bearing debt (short-term debt, commercial paper, current and

long-term portions of long-term debt and notes discounted) by ¥832.3 billion over a two-year period through such activities as selective screening of

investment activities and withdrawing from low-margin businesses.

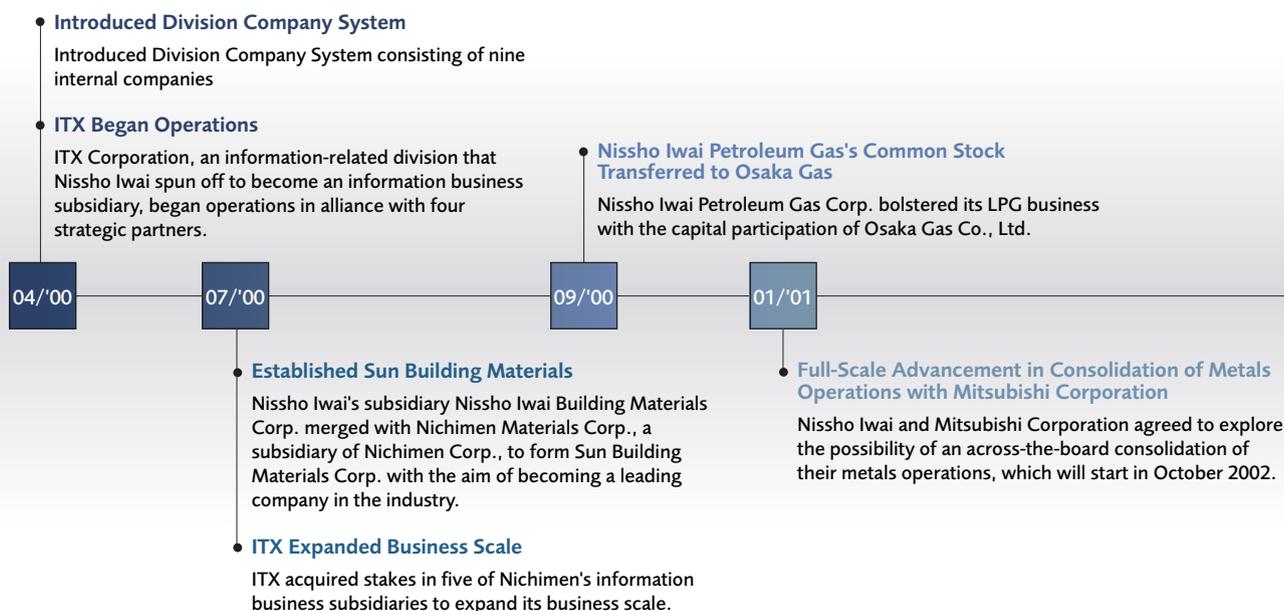
| Item  | Billions of yen |        |          |               |
|---|-----------------|--------|----------|---------------|
|   | 2000/3          | 2001/3 | Total    | 3-Year Target |
| Reduction of total assets (Consolidated)          | -579.7          | -464.3 | -1,044.0 | -1,200.0      |
| (Nonconsolidated)                                 | -286.5          | -281.4 | -567.9   | -900.0        |
| Reduction of interest-bearing debt (Consolidated) | -465.0          | -367.3 | -832.3   | -1,200.0      |
| (Nonconsolidated)                                 | -174.3          | -238.6 | -412.9   | -800.0        |

● **Improvement in and Reinforcement of Risk Management**

Nissho Iwai is conducting integrated risk management centered around the Risk Management Committee and Risk Management Department. Specifically, we have established Country-wise

Exposure Ceilings, limits on trade and trading loss of commodity business and dealing business, and systems to cut losses monitored by third parties and risk-return indexes. We also reinforced

internal auditing and credit management in such areas as investing and financing.



● **Management Reforms and Reinforcement of Internal Infrastructure**

As explained earlier, we reformed managerial systems to strengthen corporate governance and introduced various new personnel systems aimed at raising performance.

● **Selection and Concentration of Businesses**

Having concentrated core fields to five businesses, launched nine division companies and the subsidiary ITX Corporation in April 2000, and reorganized the number of division companies to five in April 2001, we

now aim to further develop and expand our Division Company System. While aiming to make the transition to a holding company structure, we are pursuing reorganization of our business portfolio by shifting to highly profitable

assets, spinning off companies into subsidiaries, promoting strategic alliances and introducing outside capital. I am convinced that such strategic alliances will raise the overall effectiveness of the Company.

● **Alliance Strategies**

In the process of reorganizing the business portfolios for each company, Nissho Iwai performed several capital tie-ups with both manufacturers and other *sogo shosha*. We are conducting scheme selection and decision making that accounts for such elements as management resources, available internal strengths, any growth potential and the Company's position in the industry. As a result there have been

instances of the Company substantially raising contributions to profits by obtaining a majority share, expanding businesses and profits by obtaining equal partnerships, or even working to maintain and expand current consolidated profits by securing a minority share.

We aim to realize value in businesses that have been nourished by the overarching framework of a *sogo shosha*,

pursue optimal configuration and scale in every business field, and build a structure that quickly adapts to changes in the business environment in our quest to become the leading company in each industry. In view of our ultimate aim to maximize corporate value for the Nissho Iwai Group, we have resolved to expand consolidated net income and bolster the power of cash generation.



● Reform of the Cost Structure Through Restructuring Measures

We have already reached our three-year target in personnel reduction (1,000 employees) and curtailed non-personnel expenses as well. Future efforts will concentrate on raising efficiency at all Group companies while reducing expenses across the board.

● Reorganizing and Integrating Group Companies for Bolstered Consolidated Management

Over the past two years, we have reorganized and integrated affiliated companies to eliminate 150 of the 200 targeted companies as specified in the

three-year Medium-Term Management Plan 2002. The increase in total companies is associated with new standards for consolidation or the

establishment of new e-commerce ventures. The ratio of profitable companies is improving.

| Item   | Number of affiliated companies, unless specified otherwise |        |       |               |
|--|--|--------|-------|---------------|
|  | 2000/3   | 2001/3 | Total | 3-Year Target |
| Company reduction (reorganization and integration) | -41  | -109   | -150  | -200          |
| Company increase                                   | +58  | +43    | +101  | —             |
| Ratio of profitable companies                      | 71.2%  | 73.9%  | —     | Over 85%      |

Strategic Direction

Nissho Iwai moved to its new headquarters building Tradepia Odaiba in March 2001. In a new century and in a new building, the “Third Foundation” on which we have embarked is already injecting new life into the Company.

The fiscal year ending March 31, 2002, will be the final year for the Medium-Term Management Plan 2002 currently in operation. I expect that year

to signal the successful completion of efforts to improve the Company’s financial position through reduction of assets and interest-bearing debt. We expect that the current fiscal year will bring record net income of ¥20.0 billion, roughly commensurate with the fiscal year under review. Efforts will now be directed toward composing the next Medium-Term Management Plan based on the corporate strengths attained through streamlining measures

over the current three-year period of the plan, a period designated as a preparatory phase for future growth. We plan to announce by November 2001 a new plan that is well-balanced between the expansion of profitability through gathering consolidated Group strength and the reinforcement of our financial position while fully accounting for risk and efficiency.

We thank our shareholders for their continued understanding and support.



Shiro Yasutake  
President and Chief Executive Officer  
July 2001

REVIEW OF OPERATIONS

Plant & Project Company

Industrial System & Automotive Company

Aerospace, Marine & Rolling Stock Company

Metals Company

Energy Company

Chemicals Company

Housing Materials & General Merchandise Company

Consumer Products Company

Construction & Urban Development Company

*Strengthening  
Our Internal Company  
Structure*

New Division Company System

Machinery Company

Metals Company

Energy Company

Chemicals, Consumer & Forest Products Company

Construction & Urban Development Company



**Kunihide Izumi**  
*President*

## Machinery Company

The Machinery Company aims to create new businesses in a wide range of industries and boldly embrace the wave of recent innovations. Amid an increasingly IT-based society, we will pursue further selection and concentration and reinforce our highly capital efficient profit structure.

### Plant & Project Group

The Plant & Project Group intends to participate in complex trade in a wide range of fields both domestically and abroad. Investment focuses on various areas of industries related to energy resource development, including exploration, production and refining; a diverse array of industrial projects for all core industries, including petrochemical, steel, paper and cement; and infrastructural development of airport, road, harbor, electric power plants, waterworks and pipelines.

It is essential that the group's businesses possess comprehensive strength that entails not only the ability to develop financial schemes using a quantitative risk management approach and financial technology, but also the ability to conduct accurate analysis of markets through its overseas networks, and determine the commercial viability of businesses using accumulated expertise in various business fields.

Under the motto "Tapping into industries in the energy stream," we will pursue innovative business models and create business opportunities that call upon the group's organizational strengths and the wisdom of individuals.

### Industrial System & Automotive Group

The Industrial System & Automotive Group traverses the fields of electronics, automobiles and industrial machinery, all of which possess

*"The Machinery Company will create and develop new environmentally gentle businesses and services."*

In India, construction of a fiber optic cable measuring over 600 thousand km will be completed in the following five years, generating an estimated demand for approximately 15 million km of optical fiber.



Modernization Project for Petroleo Brasileiro S.A. Refinery

The project will renovate an existing facility that enables refinement of 189,000 barrels of domestically produced heavy crude oil per day, as well as the refinement of petroleum into clean products that adhere to Brazilian regulations on SOx levels in diesel oil. Through financing arrangements with the Japan Bank for International Cooperation, Nissho Iwai plans to complete construction in 2003.



The 777 provides the most payload and range capability and growth potential in the medium-size aircraft category.

considerable growth potential.

In the field of electronics, the group conducts intensive financial technology-based marketing in the Korean, Chinese and Indian markets for semiconductor and liquid crystal production facilities as well as for fiber optic and communications equipment.

In the automotive field, we not only market vehicles, but also operate overseas production plants for knock-down assembly. We also supply European and North American automobile manufacturers with manufacturing technology and equipment in cooperation with domestic and overseas manufacturers, a relationship that includes engineering and plant construction management.

While establishing marketing companies in Europe and North America, we provide marketing and technology services for CO<sub>2</sub> laser-processing machines manufactured by Yamazaki Mazak Corporation.

The Industrial System & Automotive Group is creating a wide array of business models to enable continued supply of value-added products and services to the many industries on the verge of major change.

#### **Aerospace, Marine & Rolling Stock Group**

The commercial aviation and services business is a field displaying steady growth. While supplying large numbers of Boeing's state-of-the-art commercial aircraft to major airlines in Japan, the Aerospace, Marine & Rolling Stock Group has maintained a leading position in the industry in satisfying demand in the growing market of regional airlines as a sales representative for Bombardier Aerospace in Japan. In addition to introducing a broad range of high-tech defense equipment and systems to Japan from European and North American

makers, including Boeing, Raytheon, TMS and Northrop Gruman, we are also pursuing aggressive business development in the aircraft operating lease fields.

The group also boasts a record of excellence in the ship industry, specializing in providing sophisticated services that combine the areas of chartering and financing in the marketing of new and used boats. Our affiliates develop finely tailored businesses that include ship navigation, supervision and management, and hold an unparalleled record in the industry for marketing shipboard machinery and welding equipment. Based on its record in the rolling stock business for subways and suburban railroads chiefly in North America, the group aims to concentrate efforts on bolstering orders for related electric equipment and rolling stock.



**Masashi Mizutani**  
*President*

## Metals Company

### Overview of Operations

The Metals Company handles steel, wire rods, specialty steel, ferrous materials, coal and non-ferrous metals. With consolidated trading transactions expected to exceed ¥1,400 billion, it is one of the leading companies in the industry. Using its strong relations of trust with roughly 4,000 trading partners, the company will pursue further business expansion aimed at addressing the considerable demands from customers.

### Strategy

#### *Consolidating the Metal Businesses of Nissho Iwai and Mitsubishi*

On January 25, 2001, Nissho Iwai and Mitsubishi Corporation agreed to enter full-scale discussions concerning the

merger of their metal businesses with the condition of equal joint ownership. The goal is to create a strategic company in command of integrated functions and function development capabilities to gain the top share in the market, the highest profitability, and the quickest response time, distribution and decision-making capabilities.

#### *Accelerating Selection and Concentration*

While the Metals Company accelerates selection and concentration to shift to businesses in high-profit fields, employees will work with an understanding that the current model for business cannot continue indefinitely, but must shift to a more profitable structure.

*"The Metals Company bolstered its corporate position for Nissho Iwai on the back of performance growth at affiliates."*

CVRD's Itabira iron ore mine in Brazil



Wire rod coming off a rolling line

*Providing Services that Combine Nissho Iwai's Tradition and IT Tools*

One of the many responsibilities of the Metals Company is to pursue the creation of a tailor-made system that adapts to the needs of each customer through optimal use of its expertise and wealth of knowledge accumulated in domestic and overseas trading. Through an assortment of business models, the company also plans to provide customers with sophisticated services that combine its expertise in the field with IT tools.

*Striving to Improve Consolidated Performance as the Metals Company*

The marketing networks of our subsidiaries, which support the Metals Company (52 consolidated subsidiaries and 48 equity-method companies), span the entire globe to comprise 350

domestic and overseas bases. The Metals Company will work to improve performance with the aid of its superior marketing capabilities, and challenge itself in the metals business, a core business of Nissho Iwai, by departing from its role as a traditional company and stimulating the field with new business models.



**Takaharu Tanabe**  
*President*

## Energy Company

### Key Objectives

As a comprehensive energy company handling liquefied natural gas (LNG), nuclear fuel, oil, thermal coal and new fuels, the Energy Company is reinforcing its integrated supply structure from upstream to downstream and expanding sales to respond with the best policy mixes for fuels.

The company is determined to invest greater effort toward reinforcing the group in this current age of consolidated management, move forward with the expansion of its businesses along with approximately 20 domestic and overseas subsidiaries, increase profits, and become an excellent company that can address the needs of clients by putting the comprehensive strengths of its group companies into play.

### Overview of Operations

The Energy Company handles the four resources of LNG, nuclear fuels, oil and thermal coal in line with its ultimate goal of ensuring a steady supply of energy.

By continuing a 30-year trade relationship in the LNG business with Indonesia, Japan's key source for this resource, the company has come to handle roughly 30% of the nationwide imports in Japan for LNG to rise to the number two position in this industry. Along with the acquisition of new interests in Indonesia, the company is steadily pursuing such strategic preparations as investment in Qatar, which has the world's largest gas field.

In nuclear fuels, the company led the industry by importing the first commercial nuclear power plant to Japan, and has long devoted its energies to all stages of the nuclear fuel cycle,

*"Providing a range of energy sources and displaying a comprehensive strength founded on group management."*

LNG tanker en route from Indonesia to Japan



Tokyo Yusen Corp. in Kawasaki, Kanagawa Pref.

from uranium concentrate to conversion, enrichment and reprocessing, as a commercial agent for the Cogema Group (a French nuclear fuel cycle company).

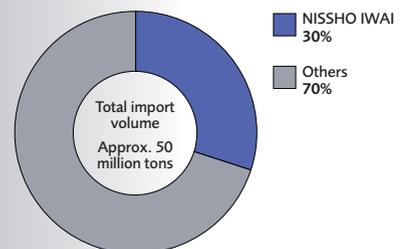
In the oil business, the company conducts a broad range of business from upstream to downstream areas, including overseas business development. It is promoting broad-based, finely tailored businesses for all manner of customers through many domestic affiliates.

In thermal coal, the company handles approximately 10% of Japan's thermal coal with exports predominately from Australia, China and Indonesia, and is currently making aggressive efforts to uncover new supply sources.

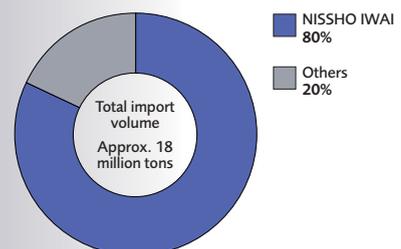
To bolster its profit base and structure, the company plans to vigorously pursue entry into new businesses both in Japan and overseas,

including new businesses in association with ideal partners and the EC business.

Nissho Iwai's share of LNG into Japan among *sogo shosha*



Nissho Iwai's share of LNG from Indonesia into Japan among *sogo shosha*





**Teruo Matsumura**  
*President*

## Chemicals, Consumer & Forest Products Company

The Chemicals, Consumer & Forest Products Company is the result of the integration of the Chemicals, Housing Materials and General Merchandise and Consumer Products internal companies in April 2001.

The company conducts operations that emphasize consolidated management and optimally tailor the organizational structure of each business to provide the highest possible shareholder value on a consolidated basis. To finely reorganize business portfolios, the company prioritizes investment in new business models over established ones.

In the IT field in particular, we have entered the B2B and B2C businesses by means of such ventures as Novopoint, Beitsubo.com and Oisix, and plan to increase resources in these businesses.

trading businesses to its group marketing companies, Nissho Iwai Chemical Corp., Nissho Iwai Plastic Corp. and Nissho Iwai Cement Corp. to provide better services and expertise to clients around the world, the head office reinforced its strategic functions. New departments will focus more on such capital-intensive businesses as methanol and fertilizers, in which Nissho Iwai has a strong presence (particularly in Southeast Asia), as well as on such strategic business areas as bio-related business and IT-related products, in which the group is currently working to cultivate new business opportunities.

In March 2001, Nissho Iwai established a holding company Pla-Net Holding, Inc. in cooperation with Nichimen Corp. and reinforced its synthetic resin business.

### Chemicals Group

The Chemicals Group has functionally restructured its organization. While the group transferred more traditional

### Housing Materials and General Merchandise Group

Using its relationships of trust built as the top company for imported wood

*"Pursuing an optimal business portfolio and maximizing shareholder value on a consolidated basis."*

Capital was invested in this fully operational plant owned by the methanol manufacturer P.T. Kaltim Methanol Industri (KMI).



We import frozen tuna from the world's best production sites, and occupy an approximate 10% share of the market.

materials over many years with the world's leading suppliers, as well as its marketing network comprising domestic customers and affiliates, the group participates in the housing materials business as the top trading company for lumber imports by importing wood, lumber products, plywood and engineered wood from all over the world. The group has concentrated efforts on entering the business of overseas production (via overseas bases) and importing engineered wood, which meets recent demand for housing materials that are durable, have high dimensional stability, and are not harmful to people.

In the general merchandise business, aside from obtaining trade rights for cigarettes produced by Philip Morris and for sports goods, the group is pursuing its forestry and wood chip production businesses in Vietnam and Australia jointly with Oji Paper Co., Ltd. and other companies in line with overseas resource development and the future burgeoning environmental business. In the paper and

pulp business, the group is raising the value of its businesses on a consolidated basis through such measures as bolstering profitability and strengthening its financial position through the injection of outside capital after having transferred it to Nissho Iwai Paper and Pulp Corp.

#### Food Products Group

The key market of the group outside Japan is the Pacific Rim, more specifically China, Indonesia and the United States, where food consumption and population are rising concurrently.

With an eye toward the future problems of overpopulation and food scarcity, the group is engaged in a full range of food-based operations from such raw materials as grains, marine products and livestock to processed foods and beverage ingredients. The group is making concerted efforts to develop and import organic foods and items free from genetically modified

organisms (non-GMOs) that address rising consumer concerns for safe, healthy foods; as well as attractively priced processed foods from various countries in Asia.

In addition to traditional functions assumed by a trading company, the group aims to construct a new, profitable business model through strategic investment in reinforcing alliances with domestic and overseas companies as strategic partners, batch orders for distribution using information technology (IT), logistics technology (LT) and financial technology (FT). The group also aims to participate in the supply chain management (SCM) structural support business for food and beverage manufacturers in North America and invest in B2C businesses that provide safe and healthy foods.



**Akitoshi Ueno**  
*President*

## Construction & Urban Development Company

### Overview of Operations

The Construction & Urban Development Company aims to be a professional developer with a wide range of expertise.

Business segments chiefly comprise the four key areas of 1) condominiums, 2) residential land development and detached houses, 3) prime contracting, consulting, redevelopment and materials and equipment transactions, and 4) commercial facility development.

In the condominium business, the company provides more than 2,000 units annually, chiefly in Tokyo, Nagoya and Osaka both individually and through joint ventures with Nissho Iwai Real Estate Corporation. Innovative product planning capabilities that accurately reflect market needs are gaining recognition in the industry.

In the residential land development and detached house business, the company provides high-value-added houses with urban and residential designs that take into account the environment and promote enjoyment of nature, and that contain interior furnishings that provide well-sealed, energy-saving and elderly-accessible features.

The prime contracting and consulting business is an area in which our independent network of *sogo shosha* becomes most noticeable. Utilizing land to its full potential, the company provides the best plan available for use in real estate activities. The Kajoh Central Building, a joint project with Yamagata Prefecture and Yamagata City that has been receiving considerable attention recently, opened its doors for the new millennium on January 1, 2001.

In commercial facility development,

*"Striving to become a company able to generate demand."*

It's TOKYO FORESIGHT SQUARE  
(Shinjuku, Tokyo)

A high-class downtown condominium complex combining comfort with a stunning view.



Gotemba Premium Outlet  
(Gotemba, Shizuoka)

The Construction & Urban Development Company opened a suburban factory outlet with roughly 80 domestic name-brand stores.

the company is promoting the suburban shopping center business and premium outlet mall business. An outlet mall was opened in Rinku Town on the back of the company's success in Gotemba, Shizuoka Prefecture, and will likely gain overwhelming support from consumers for supplying top brands at reasonable prices.

### Strategy

Structures in place at such affiliates as the general developer Nissho Iwai Real Estate, marketing company Nissho Iwai Realnet Corp. and property management company NI Community Corp., enable integrated follow up from real estate planning proposals to lot sales and management, providing greater feedback in product planning. These companies have consequently recorded bolstered performance, and

have started considering plans to become listed on the stock exchange.

The company is concentrating efforts in pioneering Internet marketing and is active in property and customer management that utilizes a comprehensive real estate system, tying marketing centers to offices online. The company's newly developed condominiums provide standard packages that feature 24-hour access to the Internet free of charge.

The Construction & Urban Development Company aims to develop balanced businesses by making optimal use of the management resources it has on hand.

## ENVIRONMENTAL ACTIVITIES

The global environment is impacted to some degree by the activities of companies. Companies therefore have some accountability for the conditions of the environment. As the link between companies and such pollution problems as air pollution is quite clear, regulations can be imposed to resolve the situation. However, recent pressing global environmental problems cannot be solved merely with regulations.

Using global warming as an example, activities undertaken by both companies and individuals naturally consume energy, sources of which often derive from fossil fuels. When fossil fuels are burned, they produce carbon dioxide that speeds global warming. As global warming advances, land is lost to a rise in the sea level, and agricultural land incurs damage from changes in atmosphere. In this way, each of us contributes to global warming unconsciously.

Merely abiding by laws and raising awareness among individuals is insufficient in addressing such a complex issue as global environmental problems. There is a need to incorporate structures into the management system that promote corporate activities contributing to an improved global environment. With this in mind, Nissho Iwai is tackling global environmental issues through the introduction of an environmental management system



Nissho Iwai's employees participate in a voluntary forestation campaign in line with social contribution activities.

founded on ISO 14001, the international standard for environmental management systems.

ISO 14001 is a certification granted to companies by a third-party certification body following an assessment of the effectiveness of environmental management systems in place and the degree to which they are properly managed. Nissho Iwai passed its initial certifying examination conducted by Lloyd's Register Quality Assurance Ltd. in November 1998, and has passed every surveillance (held every six months) since. Nissho Iwai's consistent compliance with ISO standards is a tribute to its dedication in continuing activities toward improving the global environment.

Measures for the global environment will have little effect if only carried out by a single company. Results will only be seen if the numerous companies work towards the same goal. Since

raising the number of companies that have environmental management systems in place has a major impact on improving the environment, Nissho Iwai began efforts to promote the introduction of such systems into the other companies in 1999. The Company has thus far assisted 12 Group companies and 21 external companies to implement environmental systems. Nissho Iwai will continue to contribute to improving global environmental problems through a wide range of activities.

## FINANCIAL SECTION

### FIVE-YEAR FINANCIAL SUMMARY

NISSHO IWAI CORPORATION AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED MARCH 31

|   | Millions of yen   |            |             |             |            |
|---|-------------------|------------|-------------|-------------|------------|
|   | 2001              | 2000       | 1999        | 1998        | 1997       |
| <b>Results of operations:</b>             |                   |            |             |             |            |
| Total trading transactions                |                   |            |             |             |            |
| Export .....                              | ¥ 797,559         | ¥ 957,276  | ¥ 1,188,362 | ¥ 1,383,166 | ¥1,178,414 |
| Import .....                              | 1,420,325         | 1,324,496  | 2,066,224   | 2,128,799   | 1,958,100  |
| Offshore .....                            | 1,527,501         | 1,785,104  | 1,980,061   | 2,632,017   | 2,088,886  |
| Domestic .....                            | 2,729,017         | 3,214,428  | 3,424,259   | 3,908,765   | 3,664,019  |
| Total.....                                | <b>6,474,402</b>  | 7,281,304  | 8,658,906   | 10,052,747  | 8,889,419  |
| Gross trading profit.....                 | <b>287,731</b>    | 267,719    | 272,899     | 291,332     | 278,538    |
| Net income (loss).....                    | <b>20,041</b>     | 10,220     | (98,542)    | 3,038       | 15,421     |
| <b>Financial position at year-end:</b>    |                   |            |             |             |            |
| Total assets.....                         | <b>¥3,613,977</b> | ¥4,078,286 | ¥ 4,658,033 | ¥ 5,440,638 | ¥5,414,490 |
| Long-term debt, less current portion..... | <b>781,003</b>    | 1,182,109  | 1,790,741   | 1,483,414   | 1,617,304  |
| Total shareholders' equity.....           | <b>120,276</b>    | 182,446    | 166,834     | 269,310     | 270,937    |
| Yen                                       |                   |            |             |             |            |
| Per share amounts                         |                   |            |             |             |            |
| Net income (loss).....                    | ¥ 22.92           | ¥ 11.69    | ¥ (112.69)  | ¥ 3.47      | ¥ 18.38    |
| Cash dividends.....                       | —                 | —          | —           | 5.00        | 5.00       |

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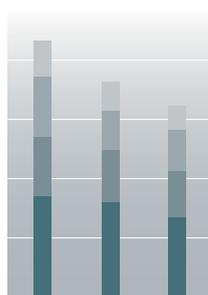
All forward-looking information in this annual report is subject to risks and uncertainties that could cause actual results to differ materially from this information, which is based on assumptions and beliefs in light of the information currently available to the management.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

NISSHO IWAI CORPORATION AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED MARCH 31

Transactions by Type  
of Trade (Billions of Yen)

|       |                   |                   |                   |
|-------|-------------------|-------------------|-------------------|
| Total | 8,659<br>(100.0%) | 7,281<br>(100.0%) | 6,474<br>(100.0%) |
|-------|-------------------|-------------------|-------------------|

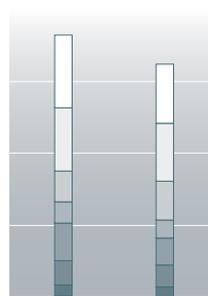


1999 2000 2001

|          |                  |                  |                  |
|----------|------------------|------------------|------------------|
| Export   | 1,189<br>(13.7%) | 957<br>(13.1%)   | 798<br>(12.3%)   |
| Import   | 2,066<br>(23.9%) | 1,325<br>(18.2%) | 1,420<br>(21.9%) |
| Offshore | 1,980<br>(22.9%) | 1,785<br>(24.5%) | 1,527<br>(23.6%) |
| Domestic | 3,424<br>(39.5%) | 3,214<br>(44.2%) | 2,729<br>(42.2%) |

Transactions by Type of  
Commodity (Billions of Yen)

|       |                   |                   |
|-------|-------------------|-------------------|
| Total | 7,281<br>(100.0%) | 6,474<br>(100.0%) |
|-------|-------------------|-------------------|



2000 2001

|   |                  |                  |
|---|------------------|------------------|
| Machinery & information industry        | 2,017<br>(27.7%) | 1,637<br>(25.3%) |
| Metals                                  | 1,753<br>(24.1%) | 1,611<br>(24.9%) |
| Energy                                  | 856<br>(11.7%)   | 1,078<br>(16.7%) |
| Chemicals                               | 591<br>(8.1%)    | 500<br>(7.7%)    |
| Housing materials & general merchandise | 1,041<br>(14.3%) | 747<br>(11.5%)   |
| Consumer products                       | 676<br>(9.3%)    | 611<br>(9.4%)    |
| Construction & urban development        | 304<br>(4.2%)    | 268<br>(4.2%)    |
| Eliminations or unallocated             | 43<br>(0.6%)     | 22<br>(0.3%)     |

### OVERVIEW

During the fiscal year ended March 31, 2001, Nissho Iwai Corporation (the "Company") recorded consolidated net sales of ¥6,474.4 billion, a decrease of 11.1% from the previous fiscal year. The Company is realigning its operations through the selection of and concentration on high-margin businesses and the allocation of management resources in growth businesses. Withdrawal from low-margin transactions in accordance with this strategy has yielded lower sales. Measures to improve profitability drove up gross trading profit 7.5% to ¥287.7 billion, increasing the gross trading profit ratio 0.76 percentage point to 4.44%. Operating income advanced 26.8% to ¥62.3 billion, an all-time high for the Company, and net income climbed 96.1% to ¥20.0 billion.

The fiscal year under review was the second year of a three-year management plan aimed at streamlining assets and liabilities while reforming the revenue base to emphasize earnings contributions. During the fiscal year under review, we made significant progress toward achieving these objectives. Assets were reduced by ¥464.3 billion, bringing the total asset reduction to ¥1,044.0 billion, or 87% of the ¥1,200 billion target of the plan. Furthermore, interest-bearing debt (short-term debt, commercial paper, current and long-term portions of long-term debt and notes discounted) was reduced by ¥367.3 billion during the term for a total reduction of ¥832.3 billion in the second year of the plan, representing 69% of the ¥1,200 billion target.

### RESULTS OF OPERATIONS

#### Analysis of Net Sales

Net sales (total trading transactions) declined 11.1%, or ¥806.9 billion, to ¥6,474.4 billion. Although a windfall of approximately ¥250.0 billion in revenues were recorded mainly due to rising prices for petroleum, withdrawal from low-margin transactions with low asset efficiency and the implementation of reforms to the revenue structure to focus on core businesses resulted in a reduction in revenues totaling approximately ¥720.0 billion on a parent company basis and approximately ¥330.0 billion overseas. The appreciation of the yen from ¥111.60 to ¥110.59 per U.S. dollar (average rates) had an adverse affect on net sales of approximately ¥25.0 billion.

By commodity category, sales of the machinery & information industry category fell 18.8% to ¥1,637.4 billion due to the absence of spot projects recorded in the previous fiscal year and a decrease in imports of aircraft.

Transactions in the metals category declined 8.1% to ¥1,611.1 billion. Most of this decline was the result of withdrawing from low-margin transactions.

The energy category was the only area that recorded higher revenues, with sales rising 25.9% to ¥1,077.9 billion due to an increase in petroleum prices.

Sales decreased 15.2% in the chemicals category to ¥500.5 billion.

In the housing materials & general merchandise category, the prolonged recession in Japan hindered sales of housing materials, construction plywood and general merchandise, resulting in sales of ¥746.6 billion, a 28.3% decline from the previous fiscal year.

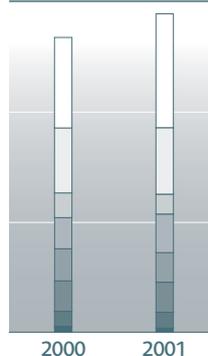
Sales of consumer products were down 9.6% to ¥611.0 billion, reflecting fewer transactions in oils and fats and seafood.

In the construction and urban development category, sales dropped 11.9% to ¥268.3 billion, primarily owing to reduced brokerage transactions in overseas construction projects.

By transaction, sales in the energy category increased substantially, with imports of ¥132.9 billion and overseas sales ¥125.7 billion. Compared with the previous fiscal year, exports fell 16.7% to ¥797.6 billion, imports rose 7.2% to ¥1,420.3 billion, offshore transactions declined 14.4% to ¥1,527.5 billion and domestic sales decreased 15.1% to ¥2,729.0 billion.

Gross Trading Profit Ratio (%) / Gross Trading Profit by Type of Commodity (Billions of Yen)

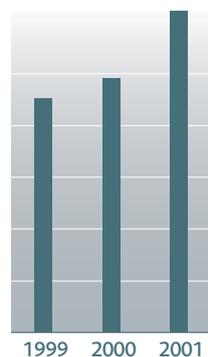
|       |                 |                 |
|-------|-----------------|-----------------|
| Total | 268<br>(100.0%) | 288<br>(100.0%) |
|-------|-----------------|-----------------|



| Commodity Type                          | 2000 (Billions of Yen) | 2001 (Billions of Yen) |
|---|------------------------|------------------------|
| Machinery & information industry        | 82<br>(30.6%)          | 102<br>(35.4%)         |
| Metals                                  | 59<br>(22.0%)          | 60<br>(20.8%)          |
| Energy                                  | 22<br>(8.2%)           | 18<br>(6.2%)           |
| Chemicals                               | 29<br>(10.8%)          | 35<br>(12.1%)          |
| Housing materials & general merchandise | 29<br>(10.8%)          | 27<br>(9.3%)           |
| Consumer products                       | 27<br>(10.1%)          | 27<br>(9.3%)           |
| Construction & urban development        | 14<br>(5.2%)           | 15<br>(5.2%)           |
| Eliminations or unallocated             | 6<br>(2.3%)            | 4<br>(1.7%)            |

Operating Income (Billions of Yen)

|    |    |    |
|----|----|----|
| 45 | 49 | 62 |
|----|----|----|



## Analysis of Net Income

### Operating Income

Cost of sales fell 11.8% to ¥6,186.7 billion due to withdrawal from low-margin transactions. Gross trading profit rose 7.5% to ¥287.7 billion, representing an improvement of 0.76 percentage point in the gross trading profit ratio to 4.44%.

By commodity, gross trading profit advanced 24.0% in the machinery & information industry category to ¥101.8 billion due to contributions from the integration of an IT-related subsidiary of Nichimen Corporation. In metals, gross trading profit edged up 2.7% to ¥60.4 billion as a result of higher income generated from a market recovery and the acquisition of new domestic business. Gross trading profit in the energy category declined 16.6% to ¥18.1 billion, owing to changes in the number of LPG subsidiaries accounted for by the equity method. Gross trading profit climbed 18.4% in chemicals to ¥34.7 billion with contributions to revenues from a methanol manufacturing and sales subsidiary in Southeast Asia. Gross trading profit in housing materials and general merchandise as well as consumer products fell 8.5% to ¥26.8 billion and 2.5% to ¥26.8 billion, respectively, owing to withdrawal from low-margin transactions and a decline in textiles. In construction and urban development, gross trading profit grew 7.4% to ¥14.5 billion as a result of favorable condominium sales in Japan.

Selling, general and administrative (SG&A) expenses rose 3.1% to ¥225.5 billion. Checks on personnel expenses made in the previous fiscal year contributed substantially to keeping SG&A expenses down. However, changes in the scope of consolidation, amortization expenses for retirement benefit liabilities as well as the effects of the weak yen on translations of income and losses of overseas subsidiaries were instrumental in increasing SG&A expenses. Efforts to reform the Company's expense structure were effective in limiting the increase.

Operating income jumped 26.8% to ¥62.3 billion, a new record for the Company, owing to minimizing the increase in SG&A expenses and the rise in gross trading profit.

### Income before Income Taxes

Interest and dividend income declined 3.0% to ¥87.1 billion. Interest expense fell 6.2% to ¥109.3 billion, while equity in losses of unconsolidated subsidiaries and affiliates totaled ¥6.5 billion, an increase of ¥4.5 billion. Other net expenses advanced 23.4% to ¥2.6 billion, reflecting an extraordinary loss of ¥126.9 billion and an extraordinary gain of ¥118.7 billion. As a consequence, income before income taxes soared 70.0% to ¥30.9 billion.

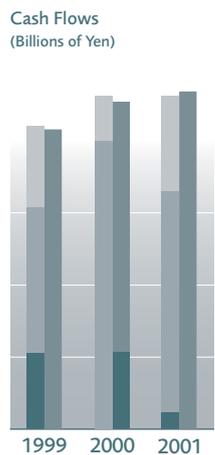
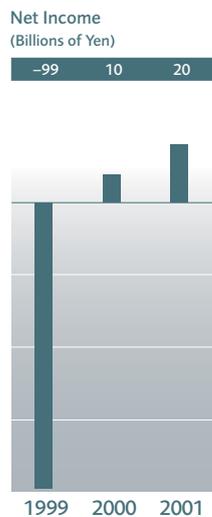
### Net Income

Although net sales declined during the term under review, profitability increased due mainly to the withdrawal from low-margin transactions. As a result, net income jumped 96.1% to ¥20.0 billion, an all-time high for the Company.

## LIQUIDITY AND FINANCIAL RESOURCES

### Analysis of Cash Flows

Net cash provided by operating activities was ¥133.0 billion, compared with ¥62.0 billion in the previous term. Cash flows from operating activities included income before income taxes of ¥30.9 billion, an increase of 70.0% from the previous term, and depreciation and amortization of ¥25.4 billion. Decrease in trade receivables and decrease in inventories amounted to ¥109.9 billion and ¥40.8 billion respectively.



|   |       |       |       |
|---|-------|-------|-------|
| Net cash provided by operating activities           | 112   | 62    | 133   |
| Net cash provided by investing activities           | 203   | 401   | 308   |
| Net cash provided by (used in) financing activities | (416) | (347) | (470) |
| Net increase (decrease) in cash*                    | (106) | 107   | (24)  |

\*Inclusive of effect of exchange rate changes on cash and cash equivalents.

Net cash provided by investing activities was ¥308.4 billion, compared with ¥401.1 billion a year earlier. The Company raised cash and improved the efficiency of its asset base while continuing to make strategic investments to support business expansion. Although cash flows were lower than the previous fiscal year, investing activities continued to generate ample cash for the Company.

As a result, free cash flows amounted to ¥441.4 billion.

Net cash used in financing activities totaled ¥470.3 billion, compared with ¥347.1 billion in the previous fiscal year. Free cash flows were appropriated for the repayment of interest-bearing debt.

Cash and cash equivalents at end of year declined ¥23.9 billion to ¥274.9 billion from ¥298.8 billion a year earlier.

#### Analysis of Financial Position

Total current assets decreased 21.3% to ¥2,056.6 billion, reflecting a reclassification of marketable securities totaling ¥323.7 billion as investment securities in line with changes in accounting methods. In addition, notes and accounts receivable—trade declined 8.0% to ¥1,023.7 billion and inventories fell 11.3% to ¥285.9 billion. Total current liabilities were down 1.3% to ¥2,590.0 billion. Short-term debt, principally unsecured declined 3.7% to ¥1,083.3 billion. Current portion of long-term debt increased 9.1% to ¥555.7 billion from ¥509.5 billion a year earlier. Investments and non-current receivables advanced 15.0% to ¥1,010.0 billion. The Company made progress restructuring affiliated companies during the term under review. Although investments in and advances to unconsolidated subsidiaries and affiliates fell 35.3% to ¥71.3 billion, investment securities rose 88.7% to ¥566.2 billion as a result of a transfer from short-term securities in accordance with a change in accounting methods. Property and equipment, at cost grew 2.2% to ¥408.0 billion, and total assets decreased 11.4% to ¥3,614.0 billion.

Interest-bearing debt including notes discounted of ¥69,959 billion fell 12.6% to ¥2,543.8 billion.

Total shareholders' equity declined 34.1% to ¥120.3 billion. Despite the addition of ¥20.0 billion in net income during the fiscal year under review, shareholders' equity decreased due to foreign currency translation adjustment of ¥67.7 billion, which was formerly included in total assets and unrealized losses on available-for-sale securities totaling ¥5.3 billion resulting from the application of mark-to-market accounting. The accumulated deficit declined 55.9% to ¥8.5 billion.

#### PERFORMANCE OF CONSOLIDATED SUBSIDIARIES AND AFFILIATES

For the fiscal year ended March 31, 2001, 350 subsidiaries were consolidated, a decrease of 62 companies from a year earlier, comprising 149 domestic and 201 overseas companies. In addition, there were 187 companies accounted for by the equity method, a decrease of 18 companies, of which 91 were domestic and 96 were overseas companies. The Company continued to make progress in streamlining subsidiaries based on profitability. The ratio of profitable companies increased 2.7 percentage points to 73.9%, as the ratio of profitable consolidated subsidiaries and companies accounted for by the equity method rose 1.9 percentage points to 75.7% and 4.7 percentage points to 70.6%, respectively.

Nissho Iwai has set a three-year target of reducing approximately 200 more affiliated companies.

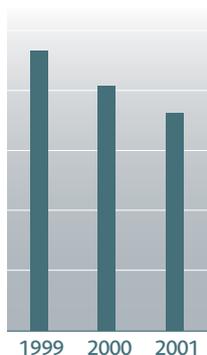
Years ended March 31

|                           | 2001       |            |            | 2000       |            |            |
|---------------------------|------------|------------|------------|------------|------------|------------|
|                           | Domestic   | Overseas   | Total      | Domestic   | Overseas   | Total      |
| Profitable companies..... | 186 (77.5) | 211 (71.0) | 397 (73.9) | 208 (74.3) | 231 (68.5) | 439 (71.2) |
| Total.....                | 240        | 297        | 537        | 280        | 337        | 617        |

( ): Percentage of total

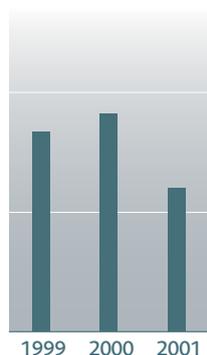
Total Assets  
(Billions of Yen)

|       |       |       |
|-------|-------|-------|
| 4,658 | 4,078 | 3,614 |
|-------|-------|-------|



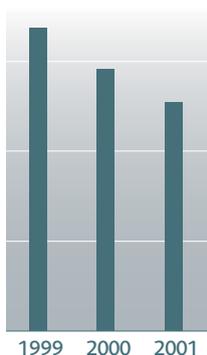
Shareholders' Equity  
(Billions of Yen)

|     |     |     |
|-----|-----|-----|
| 167 | 182 | 120 |
|-----|-----|-----|



Interest-bearing Debt  
(Billions of Yen)

|       |       |       |
|-------|-------|-------|
| 3,376 | 2,911 | 2,544 |
|-------|-------|-------|



## CHANGES TO DIVISION COMPANY SYSTEM

On April 2001, Nissho Iwai conducted a review of its division company system and consolidated the former nine companies into five division companies comprising the Machinery Company, Metals Company, Energy Company, Chemicals, Consumer & Forest Products Company as well as Construction & Urban Development Company. Each of the five division companies has set internal capital and performance targets factoring in such management metrics as debt ratios and income based on the cost of capital. The Company's ultimate goal is to maximize shareholder value by increasing asset and capital efficiency on a consolidated basis.

Nissho Iwai decided to implement the division company system as the first step toward the establishment of a holding company structure, and has proceeded to restructure its business portfolio through corporate spin-offs, injection of external capital and the formation of strategic alliances. As a part of the Company's strategy to restructure its business portfolio, the Information Business Division was spun off during the fiscal year ended March 31, 2000, into ITX Corporation. This move is a prime example of our ongoing efforts to increase profits while reducing revenues in restructuring the business portfolio.

## OUTLOOK

In the current fiscal year, ending March 31, 2002, the Company forecasts consolidated net sales to decline 7.3% to ¥6,000.0 billion as a result of its continued withdrawal from low-margin transactions and the change of some consolidated subsidiaries to companies accounted for by the equity method, despite higher income expected in the information industry. Nissho Iwai projects gross trading profit to increase 3.2% to ¥297.0 billion on higher revenues from consolidated subsidiaries in the information and automobile industries. SG&A expenses are expected to grow 1.6% to ¥229.0 billion, resulting in forecasts of operating income rising 9.1% to ¥68.0 billion. The increase in SG&A expenses will likely result from larger depreciation and amortization expenses of new headquarters building.

Other expenses are projected to decrease 0.9% to ¥23.0 billion owing to improvements in revenue at companies accounted for by the equity method, despite the absence of temporary revenues from consolidated subsidiaries during the fiscal year under review. As a result, income before income taxes is estimated to increase 26.2% to ¥39.0 billion, and net income is projected to total ¥20.0 billion, the same as the fiscal year under review.

## CONSOLIDATED BALANCE SHEETS

NISSHO Iwai CORPORATION AND CONSOLIDATED SUBSIDIARIES  
MARCH 31, 2001 AND 2000

| ASSETS   | Millions of yen   |            | Thousands of U.S.<br>dollars (Note 1) |
|--|-------------------|------------|---------------------------------------|
|  | 2001              | 2000       | 2001                                  |
| <b>Current assets:</b>   |                   |            |                                       |
| Cash and cash equivalents (Note 4) .....   | ¥ 274,909         | ¥ 298,779  | \$ 2,217,008                          |
| Time deposits (Note 4) .....   | 16,724            | 28,012     | 134,871                               |
| Short-term securities (Notes 3 and 4) .....  | 43,896            | 422,064    | 354,000                               |
| Receivables:   |                   |            |                                       |
| Trade notes (Note 4) .....   | 255,861           | 270,429    | 2,063,395                             |
| Trade accounts (Note 4) .....  | 767,830           | 842,365    | 6,192,177                             |
| Loans (Note 4) .....   | 171,915           | 170,400    | 1,386,411                             |
| Unconsolidated subsidiaries and affiliates .....                                   | 100,720           | 95,127     | 812,258                               |
| Allowance for doubtful receivables .....   | (47,312)          | (59,526)   | (381,548)                             |
| Inventories (Note 4) .....   | 285,898           | 322,456    | 2,305,629                             |
| Advance payments to suppliers .....  | 36,545            | 56,050     | 294,718                               |
| Deferred tax assets — current (Note 11) .....                                      | 21,293            | 11,999     | 171,718                               |
| Other current assets .....   | 128,294           | 156,428    | 1,034,629                             |
| Total current assets .....   | <b>2,056,573</b>  | 2,614,583  | <b>16,585,266</b>                     |
| <b>Investments and non-current receivables:</b>                                    |                   |            |                                       |
| Investment securities (Notes 3 and 4) .....  | 566,154           | 300,081    | 4,565,758                             |
| Investments in and advances to unconsolidated<br>subsidiaries and affiliates ..... | 71,297            | 110,239    | 574,976                               |
| Long-term loans, receivables and other (Note 4) .....                              | 437,901           | 540,251    | 3,531,460                             |
| Allowance for doubtful receivables .....   | (65,318)          | (71,911)   | (526,758)                             |
|  | <b>1,010,034</b>  | 878,660    | <b>8,145,436</b>                      |
| <b>Property and equipment, at cost (Note 4):</b>                                   |                   |            |                                       |
| Land .....   | 125,598           | 129,277    | 1,012,887                             |
| Buildings and structures .....   | 169,195           | 146,194    | 1,364,476                             |
| Equipment and fixtures .....   | 264,985           | 270,694    | 2,136,976                             |
| Construction in progress .....   | 7,979             | 34,039     | 64,347                                |
| Accumulated depreciation .....   | (159,713)         | (181,016)  | (1,288,009)                           |
|  | <b>408,044</b>    | 399,188    | <b>3,290,677</b>                      |
| <b>Other assets:</b>   |                   |            |                                       |
| Deferred tax assets — non-current (Note 11) .....                                  | 44,566            | 30,395     | 359,403                               |
| Foreign currency translation adjustments .....                                     | —                 | 87,275     | —                                     |
| Intangible assets and deferred charges .....                                       | 94,760            | 68,185     | 764,194                               |
|  | <b>¥3,613,977</b> | ¥4,078,286 | <b>\$29,144,976</b>                   |

See accompanying notes.

| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                  | Millions of yen   |            | Thousands of U.S.<br>dollars (Note 1) |
|--|-------------------|------------|---------------------------------------|
|  | <b>2001</b>       | 2000       | <b>2001</b>                           |
| <b>Current liabilities:</b>                                  |                   |            |                                       |
| Short-term debt, principally unsecured (Notes 4 and 5) ..... | <b>¥1,083,341</b> | ¥1,125,168 | <b>\$8,736,621</b>                    |
| Commercial paper .....                                       | <b>53,801</b>     | 57,401     | <b>433,879</b>                        |
| Current portion of long-term debt (Notes 4 and 5) .....      | <b>555,696</b>    | 509,511    | <b>4,481,419</b>                      |
| Payables:  |                   |            |                                       |
| Trade notes (Note 4).....                                    | <b>205,065</b>    | 207,631    | <b>1,653,750</b>                      |
| Trade accounts (Note 4) .....                                | <b>468,588</b>    | 493,977    | <b>3,778,935</b>                      |
| Unconsolidated subsidiaries and affiliates.....              | <b>14,187</b>     | 12,873     | <b>114,411</b>                        |
| Accrued liabilities.....                                     | <b>26,257</b>     | 37,104     | <b>211,750</b>                        |
| Income taxes payable.....                                    | <b>13,480</b>     | 7,971      | <b>108,710</b>                        |
| Advances received from customers.....                        | <b>36,032</b>     | 50,854     | <b>290,581</b>                        |
| Deferred tax liabilities — current (Note 11) .....           | <b>4</b>          | 3,890      | <b>32</b>                             |
| Other current liabilities .....                              | <b>133,590</b>    | 117,335    | <b>1,077,340</b>                      |
| Total current liabilities .....                              | <b>2,590,041</b>  | 2,623,715  | <b>20,887,428</b>                     |
| <b>Non-current liabilities:</b>                              |                   |            |                                       |
| Long-term debt, less current portion (Notes 4 and 5) .....   | <b>781,003</b>    | 1,182,109  | <b>6,298,411</b>                      |
| Employees' retirement benefits (Note 10).....                | <b>13,251</b>     | 8,315      | <b>106,863</b>                        |
| Deferred tax liabilities — non-current (Note 11) .....       | <b>28,963</b>     | 12,405     | <b>233,573</b>                        |
| Other non-current liabilities (Note 4) .....                 | <b>25,288</b>     | 26,446     | <b>203,935</b>                        |
|  | <b>848,505</b>    | 1,229,275  | <b>6,842,782</b>                      |
| Minority interests in consolidated subsidiaries .....        | <b>55,155</b>     | 42,850     | <b>444,798</b>                        |
| Contingent liabilities (Note 12)                             |                   |            |                                       |
| <b>Shareholders' equity:</b>                                 |                   |            |                                       |
| Common stock, par value ¥50 per share (Note 6) .....         | <b>102,938</b>    | 102,938    | <b>830,145</b>                        |
| Additional paid-in capital (Note 6) .....                    | <b>98,890</b>     | 98,890     | <b>797,501</b>                        |
| Accumulated deficit (Note 6).....                            | <b>(8,538)</b>    | (19,382)   | <b>(68,855)</b>                       |
|  | <b>193,290</b>    | 182,446    | <b>1,558,791</b>                      |
| Unrealized losses on available-for-sale securities .....     | <b>(5,297)</b>    | —          | <b>(42,718)</b>                       |
| Foreign currency translation adjustments .....               | <b>(67,717)</b>   | —          | <b>(546,105)</b>                      |
| Total shareholders' equity.....                              | <b>120,276</b>    | 182,446    | <b>969,968</b>                        |
|  | <b>¥3,613,977</b> | ¥4,078,286 | <b>\$29,144,976</b>                   |

CONSOLIDATED STATEMENTS OF INCOME  
 NISSHO IWAI CORPORATION AND CONSOLIDATED SUBSIDIARIES  
 YEARS ENDED MARCH 31, 2001, 2000 AND 1999

|   | Millions of yen   |            |            | Thousands of U.S.<br>dollars (Note 1) |
|---|-------------------|------------|------------|---------------------------------------|
|   | 2001              | 2000       | 1999       | 2001                                  |
| <b>Net sales</b> (Total trading transactions) (Note 8) .....            | <b>¥6,474,402</b> | ¥7,281,304 | ¥8,658,906 | <b>\$52,212,919</b>                   |
| <b>Cost of sales</b> (Note 8) .....                                     | <b>6,186,671</b>  | 7,013,585  | 8,386,007  | <b>49,892,508</b>                     |
| Gross trading profit.....   | <b>287,731</b>    | 267,719    | 272,899    | <b>2,320,411</b>                      |
| <b>Selling, general and administrative expenses</b> .....               | <b>225,478</b>    | 218,631    | 227,917    | <b>1,818,371</b>                      |
| Operating income .....  | <b>62,253</b>     | 49,088     | 44,982     | <b>502,040</b>                        |
| <b>Other income (expenses):</b>   |                   |            |            |                                       |
| Interest and dividend income .....                                      | <b>87,140</b>     | 89,811     | 95,040     | <b>702,742</b>                        |
| Interest expense.....   | <b>(109,271)</b>  | (116,512)  | (112,021)  | <b>(881,218)</b>                      |
| Equity in losses of unconsolidated<br>subsidiaries and affiliates ..... | <b>(6,536)</b>    | (2,038)    | (3,611)    | <b>(52,710)</b>                       |
| Other, net (Note 9).....  | <b>(2,650)</b>    | (2,148)    | (132,616)  | <b>(21,370)</b>                       |
| <b>Income (loss) before income taxes</b> .....                          | <b>30,936</b>     | 18,201     | (108,226)  | <b>249,484</b>                        |
| <b>Income taxes</b> (Note 11):  |                   |            |            |                                       |
| Current.....  | <b>25,045</b>     | 16,088     | 13,509     | <b>201,976</b>                        |
| Deferred.....   | <b>(13,845)</b>   | (6,885)    | (23,682)   | <b>(111,653)</b>                      |
| Total .....   | <b>11,200</b>     | 9,203      | (10,173)   | <b>90,323</b>                         |
| Minority interests in consolidated subsidiaries .....                   | <b>305</b>        | 1,222      | (489)      | <b>2,460</b>                          |
| <b>Net income (loss)</b> .....  | <b>¥ 20,041</b>   | ¥ 10,220   | ¥ (98,542) | <b>\$ 161,621</b>                     |
|   |                   |            |            |                                       |
|   |                   | Yen        |            | U.S. cents                            |
| Net income (loss) per share.....  | <b>¥ 22.92</b>    | ¥ 11.69    | ¥ (112.69) | <b>18.48¢</b>                         |
| Net income per share – diluted.....                                     | <b>21.59</b>      | 11.10      | —          | <b>17.41</b>                          |
| Cash dividends per share.....   | —                 | —          | —          | —                                     |

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

NISSHO IWAI CORPORATION AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED MARCH 31, 2001, 2000 AND 1999

|   | Millions of yen  |            |            | Thousands of U.S.<br>dollars (Note 1) |
|---|------------------|------------|------------|---------------------------------------|
|   | 2001             | 2000       | 1999       | 2001                                  |
| <b>Common stock (Note 6):</b>   |                  |            |            |                                       |
| Balance at beginning of year .....  | ¥102,938         | ¥102,938   | ¥102,938   | \$ 830,145                            |
| Balance at end of year .....  | ¥102,938         | ¥102,938   | ¥102,938   | \$ 830,145                            |
| <b>Additional paid-in capital (Note 6):</b>   |                  |            |            |                                       |
| Balance at beginning of year .....  | ¥ 98,890         | ¥ 98,890   | ¥ 98,890   | \$ 797,501                            |
| Balance at end of year .....  | ¥ 98,890         | ¥ 98,890   | ¥ 98,890   | \$ 797,501                            |
| <b>Unappropriated retained earnings<br/>(Accumulated deficit) (Note 6):</b>           |                  |            |            |                                       |
| Balance at beginning of year .....  | ¥(19,382)        | ¥ (34,994) | ¥ 67,486   | \$(156,306)                           |
| Net income (loss) .....   | 20,041           | 10,220     | (98,542)   | 161,621                               |
| Appropriation:  |                  |            |            |                                       |
| Cash dividends paid .....   | —                | —          | (2,186)    | —                                     |
| Bonuses to directors and corporate auditors .....                                     | (37)             | (43)       | (57)       | (298)                                 |
| Effect arising from changes of subsidiaries and<br>affiliates for consolidation ..... | (4,806)          | 1,081      | (382)      | (38,758)                              |
| Net unrealized gains on securities<br>available for sale (Note 2) .....               | —                | 4,354      | —          | —                                     |
| Transfer to unrealized gains on securities<br>available for sale (Note 2) .....       | (4,354)          | —          | —          | (35,114)                              |
| Interperiod tax allocation adjustment .....   | —                | —          | (1,313)    | —                                     |
| Balance at end of year .....  | ¥ (8,538)        | ¥ (19,382) | ¥ (34,994) | \$ (68,855)                           |
| <b>Unrealized losses on available-for-sale securities</b>                             |                  |            |            |                                       |
| Balance at beginning of year .....  | ¥ —              | ¥ —        | ¥ —        | \$ —                                  |
| Unrealized losses on available-for-sale securities .....                              | (5,297)          | —          | —          | (42,718)                              |
| Balance at end of year .....  | ¥ (5,297)        | ¥ —        | ¥ —        | \$ (42,718)                           |
| <b>Foreign currency translation adjustments</b>                                       |                  |            |            |                                       |
| Balance at beginning of year .....  | ¥ —              | ¥ —        | ¥ —        | \$ —                                  |
| Foreign currency translation adjustments .....  | (67,717)         | —          | —          | (546,105)                             |
| Balance at end of year .....  | ¥(67,717)        | ¥ —        | ¥ —        | \$(546,105)                           |
| <b>Number of shares of common stock authorized<br/>(thousands) .....</b>              |                  |            |            |                                       |
|   | <b>1,600,000</b> | 1,600,000  | 1,600,000  |                                       |
| <b>Number of shares of common stock issued (thousands):</b>                           |                  |            |            |                                       |
| At beginning of year .....  | 874,432          | 874,432    | 874,432    |                                       |
| At end of year .....  | 874,434          | 874,432    | 874,432    |                                       |

See accompanying notes.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

NISSHO IWAI CORPORATION AND CONSOLIDATED SUBSIDIARIES  
YEARS ENDED MARCH 31, 2001 AND 2000

|  | Millions of yen |           | Thousands of U.S.<br>dollars (Note 1) |
|--|-----------------|-----------|---------------------------------------|
|  | 2001            | 2000      | 2001                                  |
| <b>Cash flows from operating activities:</b>   |                 |           |                                       |
| Income before income taxes.....  | ¥ 30,936        | ¥ 18,201  | \$ 249,484                            |
| Adjustments to reconcile income before income taxes<br>to net cash provided by operating activities: |                 |           |                                       |
| Depreciation and amortization .....  | 25,383          | 28,065    | 204,702                               |
| Amortization of goodwill recognized on consolidation.....  | 4,009           | 2,872     | 32,331                                |
| Increase (decrease) in employees' retirement benefits .....  | 4,939           | (284)     | 39,831                                |
| (Decrease) increase in provision for doubtful receivables .....                                      | (1,205)         | 61,581    | (9,718)                               |
| Interest and dividend income .....   | (87,140)        | (89,811)  | (702,742)                             |
| Interest expense .....   | 109,271         | 116,512   | 881,218                               |
| Foreign exchange loss-net.....   | 6,323           | 8,519     | 50,992                                |
| Equity in losses of unconsolidated subsidiaries and affiliates.....                                  | 6,536           | 2,038     | 52,710                                |
| (Gain) loss on disposal of properties-net.....   | (14,364)        | 5,125     | (115,839)                             |
| Gain on sale of securities-net .....   | (89,494)        | (101,266) | (721,726)                             |
| Loss on revaluation of securities.....   | 33,786          | 22,550    | 272,468                               |
| Decrease in trade receivables.....   | 109,874         | 136,240   | 886,081                               |
| Decrease in inventories .....  | 40,788          | 70,549    | 328,935                               |
| Decrease (increase) in other assets .....  | 50,943          | (65,911)  | 410,831                               |
| Decrease in trade payables .....   | (36,698)        | (22,886)  | (295,952)                             |
| Decrease in other liabilities.....   | (14,742)        | (88,635)  | (118,887)                             |
| Bonuses to directors and corporate auditors .....  | (44)            | (64)      | (355)                                 |
|  | 179,101         | 103,395   | 1,444,364                             |
| Interest and dividends received.....   | 83,903          | 96,816    | 676,637                               |
| Interest paid.....   | (112,104)       | (128,705) | (904,058)                             |
| Income taxes paid .....  | (17,923)        | (9,532)   | (144,540)                             |
| Net cash provided by operating activities .....  | 132,977         | 61,974    | 1,072,403                             |
| <b>Cash flows from investing activities:</b>   |                 |           |                                       |
| Decrease in time deposits.....   | 11,597          | 46,953    | 93,524                                |
| Decrease in short-term securities.....   | 86,173          | 112,778   | 694,944                               |
| Payments for property and equipment.....   | (70,272)        | (34,373)  | (566,710)                             |
| Proceeds from disposal of properties.....  | 61,282          | 44,738    | 494,210                               |
| Payments for purchase of investment securities .....   | (91,312)        | (35,947)  | (736,387)                             |
| Proceeds from redemption and sale of investment securities .....                                     | 200,912         | 149,564   | 1,620,258                             |
| Decrease (increase) in short-term loans receivable.....  | 94,848          | (34,740)  | 764,903                               |
| Additions to long-term loans receivable .....  | (89,366)        | (117,214) | (720,694)                             |
| Decrease in long-term loans receivable .....   | 126,053         | 274,102   | 1,016,556                             |
| Payments for acquisition of newly consolidated subsidiaries .....                                    | (39,273)        | —         | (316,717)                             |
| Other.....   | 17,806          | (4,777)   | 143,596                               |
| Net cash provided by investing activities.....   | 308,448         | 401,084   | 2,487,483                             |
| <b>Cash flows from financing activities:</b>   |                 |           |                                       |
| (Decrease) increase in short-term debt .....   | (67,476)        | 42,557    | (544,161)                             |
| (Decrease) increase in commercial paper.....   | (3,600)         | 15,201    | (29,032)                              |
| Proceeds from issuance of bonds .....  | 12,548          | 1,257     | 101,194                               |
| Redemption of bonds .....  | (132,780)       | (72,108)  | (1,070,806)                           |
| Proceeds from other long-term debt .....   | 134,122         | 156,486   | 1,081,629                             |
| Repayments of other long-term debt.....  | (412,905)       | (490,278) | (3,329,879)                           |
| Proceeds from issuance of common stock to minority shareholders.....                                 | —               | 64        | —                                     |
| Dividends paid to minority shareholders.....   | (214)           | (286)     | (1,726)                               |
| Net cash used in financing activities .....  | (470,305)       | (347,107) | (3,792,781)                           |
| Effect of exchange rate changes on cash and cash equivalents .....                                   | 5,009           | (8,472)   | 40,395                                |
| Net (decrease) increase in cash and cash equivalents.....  | (23,870)        | 107,479   | (192,500)                             |
| Cash and cash equivalents at beginning of year .....   | 298,779         | 191,300   | 2,409,508                             |
| Cash and cash equivalents at end of year.....  | ¥ 274,909       | ¥ 298,779 | \$ 2,217,008                          |

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued):

NISSHO IWAI CORPORATION AND CONSOLIDATED SUBSIDIARIES  
YEAR ENDED MARCH 31, 1999

|   | Millions of yen |
|---|-----------------|
|   | 1999            |
| <b>Cash flows from operating activities:</b>                                    |                 |
| Net loss.....   | ¥ (98,542)      |
| Adjustments to reconcile net loss to net cash provided by operating activities: |                 |
| Depreciation and amortization.....  | 26,334          |
| Gain on disposal of properties.....   | (16,835)        |
| Gain on sale of securities.....   | (22,179)        |
| Loss on revaluation of securities.....  | 28,750          |
| Loss on fund trust investments and other financial investments.....             | 120,286         |
| Deferred income taxes.....  | (8,161)         |
| Equity in losses of unconsolidated subsidiaries and affiliates.....             | 3,611           |
| Provision for doubtful receivables.....   | 16,599          |
| Decrease in trade receivables.....  | 153,063         |
| Decrease in inventories.....  | 50,616          |
| Increase in other assets.....   | (22,177)        |
| Decrease in trade payables.....   | (189,866)       |
| Decrease in income taxes payable.....   | (1,097)         |
| Increase in other liabilities.....  | 78,588          |
| Other.....  | (6,529)         |
| Net cash provided by operating activities.....                                  | 112,461         |
| <b>Cash flows from investing activities:</b>                                    |                 |
| Increase in time deposits.....  | (43,340)        |
| Proceeds from disposal of properties.....                                       | 53,307          |
| Payments for property and equipment.....  | (86,862)        |
| Proceeds from sale of securities.....   | 556,646         |
| Payments for purchase of securities.....  | (247,879)       |
| Decrease in short-term loans receivable.....                                    | 25,761          |
| Additions to long-term loans receivable.....                                    | (233,090)       |
| Decrease in long-term loans receivable.....                                     | 176,945         |
| Other.....  | 1,015           |
| Net cash provided by investing activities.....                                  | 202,503         |
| <b>Cash flows from financing activities:</b>                                    |                 |
| Decrease in short-term debt.....  | (678,583)       |
| Proceeds from issuance of bonds.....  | 77,540          |
| Redemption of bonds.....  | (317,421)       |
| Proceeds from other long-term debt.....   | 786,230         |
| Repayments of other long-term debt.....   | (281,755)       |
| Dividends paid.....   | (2,186)         |
| Net cash used in financing activities.....                                      | (416,175)       |
| Effect of exchange rate changes on cash and cash equivalents.....               | (5,266)         |
| Net decrease in cash and cash equivalents.....                                  | (106,477)       |
| Cash and cash equivalents at beginning of year.....                             | 297,777         |
| Cash and cash equivalents at end of year.....                                   | ¥ 191,300       |
| <b>Supplemental disclosure of cash flow information:</b>                        |                 |
| Cash paid during the year for:  |                 |
| Interest.....   | ¥ 106,561       |
| Income taxes.....   | 12,058          |

See accompanying notes.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NISSHO IWAI CORPORATION AND CONSOLIDATED SUBSIDIARIES

### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Nissho Iwai Corporation (the "Company") and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with Japanese GAAP and were filed with the appropriate Local Finance Bureau of Ministry of Finance as required by the Securities and Exchange Law.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Consolidation**

The Company prepared the consolidated financial statements for the years ended March 31, 2001 and 2000 in accordance with the revised Accounting Principles for Consolidated Financial Statements effective from the year ended March 31, 2000.

The consolidated financial statements include the accounts of the Company and its 350 (412 in 2000) significant companies, over which the Company has control through majority voting right or certain other conditions evidencing control by the Company. Investments in 187 (205 in 2000) unconsolidated subsidiaries and affiliates (generally 20-50% ownership), over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for by the equity method. Intercompany transactions and accounts have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries. The excess of costs of the Company's investments in subsidiaries and affiliates over its equity in the fair value of net assets at dates of acquisition is, with minor exceptions, being amortized on the straight-line basis over periods ranging from five years to twenty years. In 1999, certain major overseas consolidated subsidiaries changed their fiscal year end dates. For these subsidiaries the consolidated financial statements for the year ended March 31, 1999 include only nine months of operations.

#### **Cash and cash equivalents**

Cash and cash equivalents include short-term investments, which are readily convertible into cash and have no risk of change in value with original maturities of three months or less.

#### **Allowance for doubtful receivables**

Prior to April 1, 2000, the allowance for doubtful receivables was provided in amounts management considers sufficient to cover possible losses on collection. The allowance is based on past collection experience and management's estimate of the collectibility of individual receivables.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of cash flows for 1999 and statements of shareholders' equity for 2001, 2000, and 1999 have been prepared for the purpose of inclusion in the consolidated financial statements, although such statements were not customarily prepared in Japan and were not required to be filed with regulatory authorities.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the readers using the prevailing exchange rate at March 31, 2001, which was ¥124 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Effective April 1, 2000, the Companies adopted the new accounting standard for financial instruments and provided the allowance for doubtful accounts principally at an amount computed based on the actual ratio of bad debts in the past and the estimated uncollectible amounts based on the analysis of certain individual receivables. The effect of adopting the new accounting standard was immaterial.

#### **Short-term securities and investment securities**

Prior to April 1, 2000, short-term securities and investment securities, except those accounted for by the equity method, were stated at cost by the moving average method.

Effective from April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999).

Under the new standard, all companies are required to examine the purpose of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities")

- (a) Trading securities are stated at fair value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change.
- (b) Held-to-maturity debt securities are stated at amortized cost.
- (c) Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost.
- (d) Available-for-sale securities with available fair market values are stated at fair market value. The mark-to-market method for available-for-sale securities is required to be applied principally effective from April 1, 2001, but is allowed to be applied in advance. In the semi-annual report, available-for-sale securities

were stated at cost at September 30, 2000. However, the Company decided to apply the mark-to-market method for the year ended March 31, 2001 for the purpose of improving its financial position under the current conditions of the stock market in Japan. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities with no available fair market values are stated at moving-average cost. As a result, investment securities increased by ¥15,561 million (\$125,429 thousand), and unrealized losses of ¥5,297 million (\$42,718 thousand) were recorded, net of tax and minority interest, in shareholders' equity.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net assets value with a corresponding charge in the income statement in the event net assets value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

After reviewing the purposes for holding securities at the beginning of the current year, trading securities and debt securities due within one year are included in current assets, and debt securities due over one year and other securities are included in investments. As a result, securities in current assets decreased by ¥323,701 million (\$2,610,492 thousand) and investment securities concurrently increased by the same amount.

Effective for the year ended March 31, 2000, with respect to certain subsidiaries in the United States of America, the consolidated financial statements included net unrealized gains on securities available for sale as the result of their application of Statement of Financial Accounting Standards (SFAS) No.115, "Accounting for Certain Investments in Debt and Equity Securities". This change of policy resulted in an increase in short-term securities of ¥8,126 million and decreases in investment securities of ¥870 million and in accumulated deficit of ¥4,354 million. As a result of the new accounting standard adopted in Japan in the year ended March 31, 2001, this amount of ¥4,354 million was reclassified from accumulated deficit to "Unrealized losses on available-for-sale securities" in shareholders' equity.

#### **Inventories**

Inventories, consisting mainly of commodities and materials held for resale, are stated at cost, principally on the first-in, first-out basis, except for items that are written down because net realizable values are substantially less than their original costs.

#### **Property and equipment**

Property and equipment are stated at cost. Depreciation is computed primarily by the declining-balance method for assets held by the Company and its domestic subsidiaries, except that buildings and structures in the Nissho Iwai Shin-Yokohama Center and buildings acquired after March 31, 1998 are depreciated by the

straight-line method. Assets held by foreign subsidiaries are depreciated in accordance with local accounting standards, principally by the straight-line method.

Repair and maintenance expenditures are charged to income when incurred.

#### **Software costs**

In accordance with new accounting standards in Japan effective for the year ended March 31, 2000, the Company and its domestic subsidiaries include internal use software in intangible assets and amortize it on the straight-line method over an estimated useful life of five years.

#### **Deferred charges**

Bond issue expenses are amortized on the straight-line method over three years. Bond issue discounts are deferred and amortized on the straight-line method over the period through redemption.

#### **Finance leases**

Finance leases of the Company and its domestic subsidiaries which do not transfer ownership and do not have bargain purchase options are accounted for in the same manner as operating leases.

#### **Translation of foreign currencies**

—Receivables and payables denominated in foreign currencies—  
Prior to April 1, 2000, receivables and payables in foreign currencies were principally translated at historical rates, except for those translated at contracted foreign exchange rates, and those of the Company's overseas branches and foreign consolidated subsidiaries that were translated at year end rates.

Effective from April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the revised accounting standard for foreign currency translation, "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation", issued by the Business Accounting Deliberation Council on October 22, 1999.

Under the revised standard, current and non-current receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end rates.

The effect of application of the new standard decreased income before income taxes by ¥6,499 million (\$52,411 thousand).

—Foreign currency financial statements—  
The financial statements of foreign consolidated subsidiaries and affiliates are translated into Japanese yen at the year-end rate, except for shareholders' equity accounts which are translated at historical rates.

Resulting translation adjustments are reflected in the consolidated financial statements as foreign currency translation adjustments.

In accordance with the revised standard, the Company and its domestic subsidiaries report foreign currency translation adjustments in shareholders' equity and minority interests. The prior year's amount, which was included in assets, has not been reclassified.

#### **Net sales (total trading transactions) and related costs**

As general trading companies, the Company and certain of its consolidated subsidiaries act as principal or agent in trading transactions. When acting as agent, the companies charge a commission to their principal, but the total sales value of the

related contracts is included in net sales (total trading transactions), and cost of sales represents the total sales value less the commission.

Gross trading profit represents the difference between net sales and cost of sales with respect to purchase and sale transactions in which the companies act as principal, and represents compensation in the form of commissions with respect to agency transactions.

As to a substantial portion of the transactions in which the companies act as principal, only title to and payment for the goods pass through the companies without physical acquisition and delivery by the companies.

### **Employees' retirement benefits**

The Company has a lump-sum retirement benefit plan and a funded noncontributory pension plan generally covering all employees other than directors and corporate auditors. Under the terms of the lump-sum retirement benefit plan, eligible employees are entitled under most circumstances, upon mandatory retirement or earlier voluntary termination of employment, to lump-sum payments based on compensation at the time of retirement, years of service and other factors.

Effective April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on June 16, 1998.

The Company and its consolidated domestic subsidiaries provided allowance for employees' severance and retirement benefits at March 31, 2001 based on estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The net transition obligation is amortized over 10 years, except that in Nissho Electronics Corp. all the net transition obligation was expensed in the year ended March 31, 2001, and for Nissho Iwai Steel Leasing Co., Ltd the net transition obligation is amortized over 5 years. The total amount expensed by these two subsidiaries is included in other net expenses in the amount of ¥1,803 million (\$14,540 thousand). Actuarial gains and losses are recognized in expenses using the declining-balance method (or straight-line method in some subsidiaries) over the average of the estimated remaining service lives commencing with the following period.

As a result of the adoption of the new accounting standard, in the year ended March 31, 2001, income before income taxes decreased by ¥5,461 million (\$44,040 thousand) compared with the amounts under the standards used previously.

### **Income taxes**

Effective for the year ended March 31, 1999, the Company and its major domestic subsidiaries adopted the newly issued "Accounting for Income Taxes." Under the new standard, deferred taxes are recognized for the estimated tax effects of temporary differences between the financial reporting and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates applicable to the periods in which the temporary differences are expected to be recovered or settled.

For the year ended March 31, 1998 the Company and its domestic subsidiaries accounted for income taxes on the basis of

amounts currently payable. Deferred taxes were not recognized except for the timing differences resulting from adjustments on consolidation, such as elimination of unrealized intercompany profit, and in the accounts of certain foreign consolidated subsidiaries.

The adoption of this new standard resulted in a decrease in the net loss of ¥22,548 million for the year ended March 31, 1999 and a decrease in the March 31, 1999 accumulated deficit of ¥21,235 million.

### **Derivatives and hedge accounting**

The new accounting standard for financial instruments, effective from the year ended March 31, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative instruments are used for hedging purposes.

If derivative instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
  - (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
  - (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The effect of the application of the new standard decreased income before income taxes by ¥30,667 million (\$247,315 thousand).

### **Amounts per share**

The computation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding during the relevant period. Diluted net income per share is computed based on the assumption that all dilutive convertible bonds were converted at the beginning of the year or later date of issuance.

### 3. SHORT-TERM SECURITIES AND INVESTMENT SECURITIES

Information regarding each category of the securities classified as trading, available-for-sale, and held-to-maturity at March 31, 2001 is as follows:

| At March 31, 2001                                     | Millions of yen |                  |                   | Fair value |
|---|-----------------|------------------|-------------------|------------|
|   | Cost            | Unrealized gains | Unrealized losses |            |
| Securities classified as:                             |                 |                  |                   |            |
| Trading .....   |                 |                  |                   | ¥ 20,185   |
| Available-for-sale with available fair market values: |                 |                  |                   |            |
| Equity securities .....                               | ¥236,981        | ¥70,481          | ¥(51,738)         | 255,724    |
| Debt securities .....                                 | 76,504          | 900              | (4,076)           | 73,328     |
| Other securities .....                                | 230             | 2                | (7)               | 225        |
| Held-to-maturity .....                                | 121,956         | 1,164            | (7,530)           | 115,590    |

| At March 31, 2001                                     | Thousands of U.S. dollars |                  |                   | Fair value  |
|---|---------------------------|------------------|-------------------|-------------|
|   | Cost                      | Unrealized gains | Unrealized losses |             |
| Securities classified as:                             |                           |                  |                   |             |
| Trading .....   |                           |                  |                   | \$ 162,782  |
| Available-for-sale with available fair market values: |                           |                  |                   |             |
| Equity securities .....                               | \$1,911,137               | \$568,395        | \$(417,242)       | \$2,062,290 |
| Debt securities .....                                 | 616,968                   | 7,258            | (32,871)          | 591,355     |
| Other securities .....                                | 1,855                     | 16               | (56)              | 1,815       |
| Held-to-maturity .....                                | 983,516                   | 9,387            | (60,726)          | 932,177     |

Total sales of available-for-sale securities sold in the year ended March 31, 2001 amounted to ¥76,118 million (\$613,855 thousand) and the related gains and losses amounted to ¥11,712 million (\$94,452 thousand) and ¥7,610 million (\$61,371 thousand), respectively.

The carrying values and maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2001 are as follows:

| At March 31, 2001                           | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Due in one year or less .....               | ¥ 23,710        | \$ 191,210                |
| Due after one year through five years ..... | 161,518         | 1,302,565                 |
| Due after five years .....                  | 46,982          | 378,887                   |

Information on book values, market values and net unrealized gains (losses) at March 31, 2000 was as follows:

| At March 31, 2000       | Millions of yen |              |                               |
|-------------------------|-----------------|--------------|-------------------------------|
|                         | Book value      | Market value | Net unrealized gains (losses) |
| Current:                |                 |              |                               |
| Equity securities ..... | ¥204,020        | ¥171,517     | ¥(32,503)                     |
| Debt securities .....   | 28,339          | 25,568       | (2,771)                       |
| Other .....             | 3,119           | 3,388        | 269                           |
|                         | ¥235,478        | ¥200,473     | ¥(35,005)                     |
| Noncurrent:             |                 |              |                               |
| Equity securities ..... | ¥ 76,478        | ¥ 64,966     | ¥(11,512)                     |
| Debt securities .....   | 15,117          | 14,728       | (389)                         |
| Other .....             | 88              | 81           | (7)                           |
|                         | ¥ 91,683        | ¥ 79,775     | ¥(11,908)                     |

The above excludes unlisted securities and bonds whose values are unaffected by market fluctuations.

#### 4. PLEDGED ASSETS

At March 31, 2001, the following assets were pledged as collateral for short-term debt and payables of ¥76,694 million (\$618,501 thousand), long-term debt and other liabilities of ¥200,420 million (\$1,616,291 thousand) and transaction and other guarantees:

|  | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Cash equivalents and time deposits.....                    | ¥ 5,054         | \$ 40,758                 |
| Trade notes and accounts receivable.....                   | 36,353          | 293,169                   |
| Short-term securities and investment securities.....       | 113,074         | 911,887                   |
| Inventories.....   | 13,874          | 111,887                   |
| Loans.....   | 95,300          | 768,548                   |
| Property and equipment, less accumulated depreciation..... | 147,299         | 1,187,895                 |
|  | <b>¥410,954</b> | <b>\$3,314,144</b>        |

#### 5. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt was represented by short-term notes, generally for 90 days, bearing average interest at annual rates of 4.58% and 3.84% at March 31, 2001 and 2000, respectively.

As is customary in Japan, long-term and short-term bank borrowings are made under general agreements which provide that additional security and guarantees for present and future

indebtedness will be given upon the request of the bank, and that any collateral so provided will be applicable to all indebtedness due to such bank. In addition, the agreements provide that the bank has the right to off-set cash deposited against long-term borrowings that become due and, in case of default and certain other specified events, against all other debts payable to the bank.

A summary of long-term debt at March 31, 2001 and 2000, was as follows:

|  | Millions of yen  |                   | Thousands of U.S. dollars |
|--|------------------|-------------------|---------------------------|
|  | 2001             | 2000              | 2001                      |
| 4.40% bonds due 2002 payable in Japanese yen.....  | ¥ 12,500         | ¥ 12,500          | \$ 100,806                |
| Floating rate notes due 2003 payable in Japanese yen <sup>(*)</sup> .....  | 9,700            | 9,700             | 78,226                    |
| 1.00% bonds due 2003 payable in Japanese yen, exchangeable for shares of a certain company.....  | 9,967            | 11,016            | 80,379                    |
| 2.00% bonds due 2002 payable in Japanese yen.....  | 8,800            | 8,800             | 70,968                    |
| 2.35% bonds due 2003 payable in Japanese yen.....  | 6,200            | 6,200             | 50,000                    |
| 2.00% bonds due 2002 payable in Japanese yen.....  | 5,700            | 5,700             | 45,968                    |
| 0.65% convertible bonds due 2003 payable in Japanese yen <sup>(**)</sup> .....   | 27,293           | 30,257            | 220,105                   |
| Notes under medium-term note programmes maturing serially through 2007 at interest rates of 0.12% to 8.45% <sup>(***)</sup> .....  | 108,062          | 165,558           | 871,468                   |
| Bonds maturing serially through 2007 payable in Japanese yen at interest rates of 0.60% to 4.00%.....  | 28,020           | 84,400            | 225,968                   |
| Long-term loans, principally from commercial and trust banks and insurance companies, maturing serially through 2018 at average interest rate of 3.84%.....                            | 848,257          | 1,039,265         | 6,840,781                 |
| Long-term loans, from governmental financial institutions, principally Japan Bank for International Cooperation, maturing serially through 2018 at average interest rate of 4.41%..... | 217,295          | 246,544           | 1,752,379                 |
| Other long-term indebtedness, maturing serially through 2028 at average interest rate of 3.94%.....  | 54,905           | 71,680            | 442,782                   |
| Total.....   | <b>1,336,699</b> | <b>1,691,620</b>  | <b>10,779,830</b>         |
| Less current portion.....  | <b>555,696</b>   | <b>509,511</b>    | <b>4,481,419</b>          |
|  | <b>¥ 781,003</b> | <b>¥1,182,109</b> | <b>\$ 6,298,411</b>       |

The aggregate annual amounts of long-term debt maturing in the years ending March 31, 2002 to 2007 and thereafter, are as follows:

| Years ending March 31    | Millions of yen   | Thousands of U.S. dollars |
|--------------------------|-------------------|---------------------------|
| 2002.....                | ¥ 555,696         | \$ 4,481,419              |
| 2003.....                | 278,746           | 2,242,952                 |
| 2004.....                | 210,140           | 1,694,677                 |
| 2005.....                | 119,503           | 963,734                   |
| 2006.....                | 78,037            | 629,331                   |
| 2007 and thereafter..... | 94,577            | 762,717                   |
|                          | <b>¥1,336,699</b> | <b>\$10,779,830</b>       |

(\*1) Floating rate is based on six-month euro-yen LIBOR (London Interbank Offered Rate) plus 0.6% with ceiling rate of 2.8% up to February 2002 and 3.2% up to February 2003.

(\*2) The conversion price per share of the 0.65% convertible bonds was ¥441 (\$3.56).  
At March 31, 2001, 71,299,320 shares of common stock were reserved for conversion of the convertible bonds, including those held by consolidated subsidiaries.

(\*3) The amounts includes the Notes issued by Nissho Iwai American Corp., Nissho Iwai Europe Plc, Nissho Iwai International Finance (Cayman) Ltd. and Nissho Iwai HK (Cayman) Ltd.

## 6. SHAREHOLDERS' EQUITY

The Commercial Code of Japan provides that:

(a) The entire issue price of shares must be credited to common stock, with the provision that, by resolution of the Board of Directors, up to one-half of such issue price may be credited to additional paid-in capital, so long as the common stock is equal to at least the aggregate par value of the shares issued.

(b) An amount equal to at least 10% of cash appropriations of retained earnings shall be set aside as legal reserve until such

reserve equals 25% of the stated capital. The legal reserve may not be distributed to shareholders, but may be appropriated to eliminate or reduce a deficit, if any, by resolution of the shareholders, or it may be capitalized by resolution of the Board of Directors. Legal reserves of the Company and domestic consolidated subsidiaries are reflected in the consolidated financial statements as a reduction in the accumulated deficit.

## 7. SEGMENT INFORMATION

The activities of the Companies include worldwide trading in various commodities, financing for customers and suppliers relating to such trading activities, and organizing and coordinating industrial projects on an international basis in conjunction with trading activities.

In April 1, 2000, the Companies replaced the existing organizational structure with a new division company system of nine in-house companies and ITX Corporation which was formed as a result of the transfer of our Information Business Division. For the year ended March 31, 2001, the Company reports classified operating segment information into 10 segments based on the new

divisions company system for the purpose of more useful information about the business of the Companies. Prior year operating segment information has been reclassified to conform to the presentation style at the year ended March 31, 2001.

Prior to March 31, 2000, the Company did not report information about operating segments because the Company had operated in a single industry commonly classified as general trading companies. However, commencing with the year ended March 31, 2000, the Company reports operating segment information for the purpose of disclosure of more useful information about the business of the Companies.

Operating segment information was as follows:

| Year ended March 31, 2001           | Millions of yen |                                |                                   |                      |            |            |           |   |                   |                                    |            | Elimination or Unallocated | Consolidated |
|-------------------------------------|-----------------|--------------------------------|-----------------------------------|----------------------|------------|------------|-----------|---|-------------------|------------------------------------|------------|----------------------------|--------------|
|                                     | Plant & Project | Industrial System & Automotive | Aerospace, Marine & Rolling Stock | Information Industry | Metals     | Energy     | Chemicals | Housing Materials and General Merchandise | Consumer Products | Construction and Urban Development | Total      |                            |              |
| Total trading transactions:         |                 |                                |                                   |                      |            |            |           |   |                   |                                    |            |                            |              |
| Outside customers.....              | ¥357,428        | ¥428,635                       | ¥632,885                          | ¥218,430             | ¥1,611,122 | ¥1,077,938 | ¥500,528  | ¥746,569                                  | ¥610,980          | ¥268,240                           | ¥6,452,755 | ¥ 21,647                   | ¥6,474,402   |
| Intersegment .....                  | 24,288          | 26,320                         | 11,006                            | 518                  | 56,491     | 29,223     | 14,415    | 3,704                                     | 18,058            | 6,423                              | 190,446    | (190,446)                  | —            |
| Total .....                         | 381,716         | 454,955                        | 643,891                           | 218,948              | 1,667,613  | 1,107,161  | 514,943   | 750,273                                   | 629,038           | 274,663                            | 6,643,201  | (168,799)                  | 6,474,402    |
| Operating expenses.....             | 378,916         | 448,590                        | 640,305                           | 204,558              | 1,653,863  | 1,103,236  | 503,699   | 745,669                                   | 624,173           | 265,156                            | 6,568,165  | (156,016)                  | 6,412,149    |
| Operating income .....              | ¥ 2,800         | ¥ 6,365                        | ¥ 3,586                           | ¥ 14,390             | ¥ 13,750   | ¥ 3,925    | ¥ 11,244  | ¥ 4,604                                   | ¥ 4,865           | ¥ 9,507                            | ¥ 75,036   | ¥ (12,783)                 | ¥ 62,253     |
| Assets.....                         | ¥363,639        | ¥226,715                       | ¥332,395                          | ¥265,689             | ¥ 634,316  | ¥ 130,574  | ¥250,681  | ¥228,723                                  | ¥225,069          | ¥302,123                           | ¥2,959,927 | ¥654,050                   | ¥3,613,977   |
| Depreciation and amortization ..... | ¥ 237           | ¥ 412                          | ¥ 3,473                           | ¥ 1,782              | ¥ 4,314    | ¥ 1,000    | ¥ 7,082   | ¥ 556                                     | ¥ 2,037           | ¥ 141                              | ¥ 21,039   | ¥ 4,344                    | ¥ 25,383     |
| Capital expenditures .....          | ¥ 514           | ¥ 1,389                        | ¥ 17,966                          | ¥ 3,552              | ¥ 6,111    | ¥ 990      | ¥ 4,268   | ¥ 1,672                                   | ¥ 1,041           | ¥ 9,164                            | ¥ 46,671   | ¥ 30,883                   | ¥ 77,555     |

| Year ended March 31, 2001           | Thousands of U.S. dollars |                                |                                   |                      |              |             |             |   |                   |                                    |              | Elimination or Unallocated | Consolidated |
|-------------------------------------|---------------------------|--------------------------------|-----------------------------------|----------------------|--------------|-------------|-------------|---|-------------------|------------------------------------|--------------|----------------------------|--------------|
|                                     | Plant & Project           | Industrial System & Automotive | Aerospace, Marine & Rolling Stock | Information Industry | Metals       | Energy      | Chemicals   | Housing Materials and General Merchandise | Consumer Products | Construction and Urban Development | Total        |                            |              |
| Total trading transactions:         |                           |                                |                                   |                      |              |             |             |   |                   |                                    |              |                            |              |
| Outside customers.....              | \$2,882,484               | \$3,456,734                    | \$5,103,911                       | \$1,761,532          | \$12,992,919 | \$8,693,048 | \$4,036,516 | \$6,020,718                               | \$4,927,258       | \$2,163,226                        | \$52,038,347 | \$174,573                  | \$52,212,919 |
| Intersegment .....                  | 195,871                   | 212,258                        | 88,758                            | 4,177                | 455,573      | 235,669     | 116,250     | 29,871                                    | 145,629           | 51,798                             | 1,535,855    | (1,535,855)                | —            |
| Total .....                         | 3,078,355                 | 3,668,992                      | 5,192,669                         | 1,765,710            | 13,448,492   | 8,928,718   | 4,152,766   | 6,050,589                                 | 5,072,887         | 2,215,024                          | 53,574,202   | (1,361,282)                | 52,212,919   |
| Operating expenses.....             | 3,055,774                 | 3,617,661                      | 5,163,750                         | 1,649,661            | 13,337,605   | 8,897,065   | 4,062,089   | 6,013,460                                 | 5,033,653         | 2,138,355                          | 52,969,073   | (1,258,194)                | 51,710,879   |
| Operating income .....              | \$ 22,581                 | \$ 51,331                      | \$ 28,919                         | \$ 116,048           | \$ 110,887   | \$ 31,653   | \$ 90,677   | \$ 37,129                                 | \$ 39,234         | \$ 76,669                          | \$ 605,129   | \$ (103,089)               | \$ 502,040   |
| Assets.....                         | \$2,932,573               | \$1,828,347                    | \$2,680,605                       | \$2,142,653          | \$ 5,115,452 | \$1,053,016 | \$2,021,621 | \$1,844,540                               | \$1,815,073       | \$2,436,476                        | \$23,870,379 | \$5,274,597                | \$29,144,976 |
| Depreciation and amortization ..... | \$ 1,911                  | \$ 3,323                       | \$ 28,008                         | \$ 14,371            | \$ 34,790    | \$ 8,065    | \$ 57,113   | \$ 4,484                                  | \$ 16,427         | \$ 1,137                           | \$ 169,669   | \$ 35,032                  | \$ 204,702   |
| Capital expenditures .....          | \$ 4,145                  | \$ 11,202                      | \$ 144,887                        | \$ 28,645            | \$ 49,282    | \$ 7,984    | \$ 34,419   | \$ 13,484                                 | \$ 8,395          | \$ 73,903                          | \$ 376,379   | \$ 249,056                 | \$ 625,444   |

Assets in the eliminations or unallocated column, totalling ¥764,981 million (\$6,169,202 thousand) consist primarily of cash and cash equivalents, and securities for financial activities.

| Year ended March 31, 2000           | Millions of yen |                                |                                   |                      |            |          |           |   |                   |                                    |            |                            | Consolidated |
|-------------------------------------|-----------------|--------------------------------|-----------------------------------|----------------------|------------|----------|-----------|---|-------------------|------------------------------------|------------|----------------------------|--------------|
|                                     | Plant & Project | Industrial System & Automotive | Aerospace, Marine & Rolling Stock | Information Industry | Metals     | Energy   | Chemicals | Housing Materials and General Merchandise | Consumer Products | Construction and Urban Development | Total      | Elimination or Unallocated |              |
| Total trading transactions:         |                 |                                |                                   |                      |            |          |           |   |                   |                                    |            |                            |              |
| Outside customers.....              | ¥634,866        | ¥401,459                       | ¥727,426                          | ¥252,820             | ¥1,753,110 | ¥856,389 | ¥590,577  | ¥1,041,483                                | ¥675,816          | ¥304,562                           | ¥7,238,508 | ¥ 42,796                   | ¥7,281,304   |
| Intersegment .....                  | 28,136          | 20,863                         | 35,359                            | 16,543               | 71,821     | 8,559    | 25,004    | 6,501                                     | 100,761           | 17,204                             | 330,751    | (330,751)                  | —            |
| Total .....                         | 663,002         | 422,322                        | 762,785                           | 269,364              | 1,824,931  | 864,948  | 615,581   | 1,047,984                                 | 776,577           | 321,766                            | 7,569,259  | (287,955)                  | 7,281,304    |
| Operating expenses.....             | 658,944         | 416,482                        | 758,553                           | 266,638              | 1,813,513  | 860,292  | 606,654   | 1,038,770                                 | 773,514           | 313,643                            | 7,507,002  | (274,786)                  | 7,232,216    |
| Operating income .....              | ¥ 4,058         | ¥ 5,840                        | ¥ 4,232                           | ¥ 2,726              | ¥ 11,418   | ¥ 4,656  | ¥ 8,927   | ¥ 9,214                                   | ¥ 3,063           | ¥ 8,123                            | ¥ 62,257   | ¥ (13,169)                 | ¥ 49,088     |
| Assets.....                         | ¥436,661        | ¥205,344                       | ¥348,055                          | ¥184,398             | ¥ 734,872  | ¥172,898 | ¥288,808  | ¥ 241,824                                 | ¥256,522          | ¥363,502                           | ¥3,232,883 | ¥ 845,403                  | ¥4,078,286   |
| Depreciation and amortization ..... | ¥ 134           | ¥ 350                          | ¥ 3,409                           | ¥ 1,779              | ¥ 3,193    | ¥ 1,452  | ¥ 5,957   | ¥ 708                                     | ¥ 2,128           | ¥ 1,062                            | ¥ 20,178   | ¥ 7,886                    | ¥ 28,064     |
| Capital expenditures .....          | ¥ 11            | ¥ 640                          | ¥ 3,005                           | ¥ 2,593              | ¥ 7,177    | ¥ 2,581  | ¥ 4,125   | ¥ 497                                     | ¥ 496             | ¥ 6,422                            | ¥ 27,551   | ¥ 12,722                   | ¥ 40,274     |

Segment information by geographic area was as follows:

| Year ended March 31, 2001   | Millions of yen |               |          |               |             |                            | Consolidated |
|-----------------------------|-----------------|---------------|----------|---------------|-------------|----------------------------|--------------|
|                             | Japan           | North America | Europe   | Asia, Oceania | Other Areas | Elimination or Unallocated |              |
| Total trading transactions: |                 |               |          |               |             |                            |              |
| Outside customers.....      | ¥5,088,746      | ¥484,334      | ¥193,656 | ¥ 668,607     | ¥39,058     | ¥ —                        | ¥6,474,402   |
| Inter-areas.....            | 402,221         | 435,577       | 262,458  | 333,453       | 350         | (1,434,059)                | —            |
| Total.....                  | 5,490,967       | 919,911       | 456,114  | 1,002,060     | 39,408      | (1,434,059)                | 6,474,402    |
| Operating expenses .....    | 5,446,374       | 917,095       | 453,397  | 993,107       | 38,043      | (1,435,869)                | 6,412,149    |
| Operating income.....       | ¥ 44,593        | ¥ 2,816       | ¥ 2,717  | ¥ 8,953       | ¥ 1,365     | ¥ 1,810                    | ¥ 62,253     |
| Assets.....                 | ¥2,909,968      | ¥305,837      | ¥500,313 | ¥ 419,137     | ¥97,996     | ¥ (619,276)                | ¥3,613,977   |

| Year ended March 31, 2000   | Thousands of U.S. dollars |               |             |               |             |                            | Consolidated |
|-----------------------------|---------------------------|---------------|-------------|---------------|-------------|----------------------------|--------------|
|                             | Japan                     | North America | Europe      | Asia, Oceania | Other Areas | Elimination or Unallocated |              |
| Total trading transactions: |                           |               |             |               |             |                            |              |
| Outside customers.....      | \$41,038,274              | \$3,905,919   | \$1,561,742 | \$5,391,992   | \$314,984   | \$ —                       | \$52,212,919 |
| Inter-areas.....            | 3,243,718                 | 3,512,718     | 2,116,597   | 2,689,137     | 2,823       | (11,564,992)               | —            |
| Total.....                  | 44,281,992                | 7,418,637     | 3,678,339   | 8,081,129     | 317,806     | (11,564,992)               | 52,212,919   |
| Operating expenses .....    | 43,922,371                | 7,395,927     | 3,656,427   | 8,008,927     | 306,798     | (11,579,589)               | 51,710,879   |
| Operating income.....       | \$ 359,621                | \$ 22,710     | \$ 21,911   | \$ 72,202     | \$ 11,008   | \$ 14,597                  | \$ 502,040   |
| Assets.....                 | \$23,467,484              | \$2,466,427   | \$4,034,782 | \$3,380,137   | \$790,290   | \$ (4,994,161)             | \$29,144,976 |

| Year ended March 31, 2000     | Millions of yen |               |          |               |             |                            | Consolidated |
|-------------------------------|-----------------|---------------|----------|---------------|-------------|----------------------------|--------------|
|                               | Japan           | North America | Europe   | Asia, Oceania | Other Areas | Elimination or Unallocated |              |
| Total trading transactions:   |                 |               |          |               |             |                            |              |
| Outside customers.....        | ¥5,912,447      | ¥ 717,396     | ¥144,916 | ¥486,343      | ¥ 20,202    | ¥ —                        | ¥7,281,304   |
| Inter-areas.....              | 673,472         | 420,103       | 248,524  | 385,616       | 239         | (1,727,954)                | —            |
| Total.....                    | 6,585,919       | 1,137,499     | 393,440  | 871,959       | 20,441      | (1,727,954)                | 7,281,304    |
| Operating expenses .....      | 6,548,076       | 1,134,908     | 389,099  | 868,665       | 21,035      | (1,729,567)                | 7,232,216    |
| Operating income (loss) ..... | ¥ 37,843        | ¥ 2,591       | ¥ 4,341  | ¥ 3,294       | ¥ (594)     | ¥ 1,613                    | ¥ 49,088     |
| Assets.....                   | ¥3,117,732      | ¥ 308,445     | ¥589,948 | ¥433,201      | ¥209,994    | ¥ (581,034)                | ¥4,078,286   |

| Year ended March 31, 1999     | Millions of yen |               |          |               |             |                            | Consolidated |
|-------------------------------|-----------------|---------------|----------|---------------|-------------|----------------------------|--------------|
|                               | Japan           | North America | Europe   | Asia, Oceania | Other Areas | Elimination or Unallocated |              |
| Total trading transactions:   |                 |               |          |               |             |                            |              |
| Outside customers.....        | ¥7,553,445      | ¥ 665,561     | ¥146,695 | ¥ 247,261     | ¥ 45,944    | ¥ —                        | ¥8,658,906   |
| Inter-areas.....              | 620,500         | 603,675       | 256,901  | 941,691       | 326         | (2,423,093)                | —            |
| Total.....                    | 8,173,945       | 1,269,236     | 403,596  | 1,188,952     | 46,270      | (2,423,093)                | 8,658,906    |
| Operating expenses .....      | 8,141,026       | 1,263,514     | 401,841  | 1,186,692     | 46,281      | (2,425,430)                | 8,613,924    |
| Operating income (loss) ..... | ¥ 32,919        | ¥ 5,722       | ¥ 1,755  | ¥ 2,260       | ¥ (11)      | ¥ 2,337                    | ¥ 44,982     |
| Assets.....                   | ¥3,398,465      | ¥ 415,712     | ¥800,812 | ¥ 500,107     | ¥279,132    | ¥ (736,195)                | ¥4,658,033   |

The principal countries or areas included in each region are as follows:

North America.....U.S.A. and Canada

Europe.....United Kingdom and Germany

Asia, Oceania .....Singapore and China

Other areas.....Central and South America and Africa

Included in assets in the elimination or unallocated column at March 31, 2000 and 1999 are foreign currency translation adjustments of ¥87,274 million and ¥72,903 million, respectively.

Overseas trading transactions for the years ended March 31, 2001, 2000 and 1999 were as follows:

|                     | Millions of yen   |                   |                   | Thousands of U.S. dollars |
|---------------------|-------------------|-------------------|-------------------|---------------------------|
|                     | 2001              | 2000              | 1999              | 2001                      |
| North America ..... | ¥ 533,170         | ¥ 830,853         | ¥ 893,454         | \$ 4,299,758              |
| Europe.....         | 301,924           | 361,585           | 372,532           | 2,434,871                 |
| Asia, Oceania ..... | 931,961           | 853,834           | 1,219,429         | 7,515,815                 |
| Other areas.....    | 558,005           | 696,108           | 683,008           | 4,500,040                 |
|                     | <b>¥2,325,060</b> | <b>¥2,742,380</b> | <b>¥3,168,423</b> | <b>\$18,750,484</b>       |

The principal countries or areas included in each region are as follows:

North America ..... U.S.A. and Canada

Europe ..... Belgium and United Kingdom

Asia, Oceania..... Thailand and China

Other areas ..... Middle and Near East and Central and South America

Overseas trading transactions include the total sales of the Company and the consolidated subsidiaries that occurred outside of Japan.

#### 8. SALES TO AND PURCHASES FROM UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Sales to and purchases from unconsolidated subsidiaries and affiliates for the years ended March 31, were as follows:

|                 | Millions of yen |          |          | Thousands of U.S. dollars |
|-----------------|-----------------|----------|----------|---------------------------|
|                 | 2001            | 2000     | 1999     | 2001                      |
| Net sales.....  | ¥167,590        | ¥177,026 | ¥277,791 | \$1,351,534               |
| Purchases ..... | 175,536         | 263,370  | 302,278  | 1,415,620                 |

#### 9. OTHER INCOME (EXPENSES)

Details of "Other, net" in the consolidated statements of income for the years ended March 31 were as follows:

|  | Millions of yen  |                  |                   | Thousands of U.S. dollars |
|--|------------------|------------------|-------------------|---------------------------|
|  | 2001             | 2000             | 1999              | 2001                      |
| Gain on sale of securities.....  | ¥ 89,494         | ¥101,266         | ¥ 22,179          | \$ 721,726                |
| Loss on revaluation of securities .....  | (33,786)         | (25,632)         | (28,750)          | (272,468)                 |
| Gain (loss) on disposal of properties .....  | 14,364           | (5,125)          | 16,835            | 115,839                   |
| Loss on withdrawal from certain foreign operations .....                             | —                | —                | (937)             | —                         |
| Loss, and provision for loss, on the dissolution of subsidiaries and affiliates .... | (8,438)          | (20,612)         | (2,792)           | (68,048)                  |
| Provision for overseas doubtful receivables.....                                     | (21,880)         | (34,605)         | (13,401)          | (176,452)                 |
| Loss on fund trust investments and other financial investments .....                 | —                | —                | (120,286)         | —                         |
| Loss on translation of receivables and payables in foreign currencies.....           | (6,499)          | (7,633)          | (3,519)           | (52,411)                  |
| Special early retirement benefits .....  | (4,604)          | (5,052)          | —                 | (37,129)                  |
| Loss on interest rate swaps revaluation .....  | (30,667)         | —                | —                 | (247,315)                 |
| Other .....  | (634)            | (4,755)          | (1,945)           | (5,112)                   |
|  | <b>¥ (2,650)</b> | <b>¥ (2,148)</b> | <b>¥(132,616)</b> | <b>\$ (21,370)</b>        |

#### 10. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

As explained in Note 2. Summary of Significant Accounting Policies, effective April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the new accounting standard for employees' severance and retirement benefits, under which the liabilities and expense for severance and retirement benefits are

determined based on the amounts obtained by actuarial calculations.

Details of projected benefit obligation, fair value of pension assets, and liability for employees' retirement benefits at March 31, 2001 were as follows:

|   | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Projected benefit obligation.....                 | ¥172,111        | \$1,387,992               |
| Fair value of pension assets.....                 | (92,890)        | (749,113)                 |
| Liability for employees' retirement benefits..... | (13,251)        | (106,863)                 |
| Unrecognized projected benefit obligation .....   | ¥ 65,969        | \$ 532,008                |

Unrecognized projected benefit obligation at March 31, 2001 is as follows:

|   | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Unrecognized net transition obligation .....    | ¥54,328         | \$438,129                 |
| Unrecognized actuarial differences .....        | 11,640          | 93,871                    |
| Unrecognized projected benefit obligation ..... | ¥65,969         | \$532,008                 |

Included in the consolidated statement of income for the year ended March 31, 2001 are severance and retirement benefit expenses comprised of the following:

|   | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Service costs - benefits earned during the year ..... | ¥ 6,865         | \$ 55,363                 |
| Interest cost on projected benefit obligation.....    | 5,620           | 45,322                    |
| Expected return on plan assets .....                  | (2,899)         | (23,379)                  |
| Amortization of net transition obligation .....       | 7,963           | 64,218                    |
| Severance and retirement benefit expenses .....       | ¥17,549         | \$141,524                 |

At the beginning of the current year the discount rate used by the Companies was 3.50%, and at the year end of March 31, 2001 the rate used by the Companies is mainly 3.00%. The rate of expected return on plan assets used by the Companies is mainly 3.00%.

Principally, the estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years.

Actuarial gains/losses will generally be recognized in the income statement in equal amounts over 10 years from April 1, 2001.

The unrecognized net transition obligation is recognized in the income statement in equal amounts over 10 years, except for certain consolidated subsidiaries.

## 11. INCOME TAXES

The Company and its domestic subsidiaries are subject to a number of different taxes based on income which in the aggregate, for the years ended March 31, 2001, 2000 and 1999, indicate approximate statutory rates of 42%, 42% and 48% respectively. Foreign subsidiaries are subject to income taxes of the countries where they operate.

Significant components of deferred tax assets and liabilities were as follows:

| At March 31  | Millions of yen  |          | Thousands of U.S. dollars |
|--|------------------|----------|---------------------------|
|  | 2001             | 2000     | 2001                      |
| Deferred tax assets:   |                  |          |                           |
| Allowance for doubtful receivables .....                                       | ¥37,027          | ¥30,067  | \$298,605                 |
| Unrealized losses on securities available for sale .....                       | 12,409           | —        | 100,073                   |
| Employees' retirement benefits .....   | 3,259            | 2,006    | 26,282                    |
| Unrealized intercompany profit .....   | 11,599           | 17,182   | 93,540                    |
| Other .....  | 12,425           | 7,192    | 100,202                   |
| Less valuation allowance .....   | (7,159)          | (11,728) | (57,734)                  |
| Offset to deferred tax liabilities .....                                       | (3,702)          | —        | (29,855)                  |
| Deferred tax assets.....   | 65,858           | 44,719   | 531,113                   |
| Deferred tax liabilities:  |                  |          |                           |
| Unrealized gains on securities available for sale.....                         | 18,154           | —        | 146,403                   |
| Deferred gain on sale of properties.....                                       | 3,852            | 9,682    | 31,065                    |
| Reversal of allowance resulting from elimination of intercompany accounts..... | — <sup>(*)</sup> | 1,215    | —                         |
| Net unrealized gains on application of SFAS115 .....                           | —                | 2,902    | —                         |
| Other .....  | 10,663           | 4,821    | 85,992                    |
| Offset to deferred tax assets .....  | (3,702)          | —        | (29,855)                  |
| Deferred tax liabilities.....  | 28,967           | 18,620   | 233,605                   |
| Net deferred tax assets .....  | ¥36,891          | ¥26,099  | \$297,508                 |

At March 31, 2001 and 2000, deferred tax assets of ¥12,736 million (\$102,710 thousand) and ¥21,475 million, respectively, for net operating loss carryforwards of consolidated subsidiaries have not been recognized.

The difference between the statutory tax rate of 42.1% and the effective rate of income taxes reflected in the accompanying consolidated statements of income of 36.2%, 50.6% for the year ended March 31, 2001, 2000, respectively, were as follows:

| At March 31  | 2001   | 2000  |
|--|--------|-------|
| Statutory tax rate .....   | 42.1%  | 42.1% |
| Foreign tax credit .....   | (14.6) | —(*)  |
| Equity in losses of unconsolidated subsidiaries and affiliates .....                                 | 8.9    | 4.7   |
| Amortization of goodwill recognized on consolidation .....   | —(*)   | 6.6   |
| Other .....  | (0.2)  | (2.8) |
| Effective rate of income taxes reflected in the accompanying consolidated statements of income ..... | 36.2%  | 50.6% |

The items with asterisk in this schedule are included in "Other."

## 12. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2001, were as follows:

|   | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| For repurchase of notes discounted and endorsed ..... | ¥ 75,459        | \$ 608,540                |
| For guarantees of indebtedness to:                    |                 |                           |
| Unconsolidated subsidiaries and affiliates .....      | ¥ 46,404        | \$ 374,226                |
| Others .....  | 94,191          | 759,605                   |
|   | ¥140,595        | \$1,133,831               |

Contingent liabilities for guarantees of indebtedness consist of obligations under letters of guarantees, letters of awareness, and other standby agreements.

## 13. LEASES

Information on finance leases of the Companies is as follows:

Non-capitalized finance leases, as lessee:

| At March 31, 2001  | Millions of yen          |                        |        |         | Thousands of U.S. dollars |
|--|--------------------------|------------------------|--------|---------|---------------------------|
|  | Buildings and structures | Equipment and fixtures | Other  | Total   | Total                     |
| Original lease obligation, including finance charges ..... | ¥787                     | ¥13,325                | ¥1,389 | ¥15,501 | \$125,008                 |
| Future minimum lease payments .....                        | 315                      | 5,823                  | 543    | 6,680   | 53,871                    |
| Portion due within one year .....                          |                          |                        |        | 2,420   | 19,516                    |

| At March 31, 2000  | Millions of yen          |                        |       |         | Thousands of U.S. dollars |
|--|--------------------------|------------------------|-------|---------|---------------------------|
|  | Buildings and structures | Equipment and fixtures | Other | Total   | Total                     |
| Original lease obligation, including finance charges ..... | ¥453                     | ¥11,253                | ¥615  | ¥12,321 |                           |
| Future minimum lease payments .....                        | 147                      | 4,960                  | 255   | 5,363   |                           |
| Portion due within one year .....                          |                          |                        |       | 1,950   |                           |

Lease payments for the years ended March 31, 2001, 2000 and 1999 were ¥1,673 million (\$13,492 thousand), ¥688 million and ¥1,330 million, respectively.

Finance leases, as lessor:

| At March 31, 2001                                     | Millions of yen          |                        |       |        | Thousands of U.S. dollars |
|---|--------------------------|------------------------|-------|--------|---------------------------|
|   | Buildings and structures | Equipment and fixtures | Other | Total  | Total                     |
| Lease properties, at cost .....                       | ¥422                     | ¥6,346                 | ¥189  | ¥6,957 | \$56,105                  |
| Lease properties, less accumulated depreciation ..... | 137                      | 1,994                  | 110   | 2,241  | 18,073                    |

| At March 31, 2000                                    | Millions of yen          |                        |       |         |
|--|--------------------------|------------------------|-------|---------|
|  | Buildings and structures | Equipment and fixtures | Other | Total   |
| Lease properties, at cost.....                       | ¥297                     | ¥21,629                | ¥213  | ¥22,139 |
| Lease properties, less accumulated depreciation..... | 68                       | 8,242                  | 124   | 8,433   |

Future minimum lease payments to be received after March 31, 2001 are ¥4,460 million (\$35,968 thousand) of which ¥1,827 million (\$14,734 thousand) is due within one year.

Lease payments received for the years ended March 31, 2001, 2000 and 1999 were ¥1,676 million (\$13,516 thousand), ¥3,549 million and ¥4,579 million, respectively.

As lessee under noncancelable operating leases, future minimum lease payments are ¥1,370 million (\$11,048 thousand) of which ¥499 million (\$4,024 thousand) is due within one year.

#### 14. DERIVATIVE INSTRUMENTS

The Companies use foreign exchange contracts, currency options, swap and various types of interest rate, bond, equity and commodity related forwards, futures and options, principally to reduce the market risk associated with financial activities and commodity trading activities. The Companies select highly-ranked financial institutions, exchanges and brokers as counter parties to minimize credit risk exposure. All of the derivative transactions are under the strict control of management through various limit restrictions and reporting by risk control sections. The Company and each consolidated subsidiary's accounting sections also

confirm the outstanding positions and fair values with counter parties. The results of these procedures are reported to the Company's risk control section.

The Companies evaluate hedge effectiveness semi-annually by comparing the cumulative changes in cash flows or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

The following tables summarize market value information as of March 31, 2001 and 2000 of derivative transactions for which hedge accounting has not been applied.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

##### Hedging instruments:

Currency related contracts: Foreign exchange contracts and Currency swap contracts  
Interest related contracts: Interest rate swap contracts and Option (cap) contracts  
Commodity related contracts: Future contracts and Forward contracts

##### Hedged items:

Currency related contracts: Foreign currency receivables and debts and Foreign currency forecasted contracts  
Interest related contracts: Interest on financial assets (including accounts receivable, bonds, loan receivable) and financial liabilities (including loan payable, bonds and convertible bonds)  
Commodity related contracts: Balance of commodity trading contracts

Outstanding positions and recognized gains and losses at March 31, 2001 were as follows:

|   | Millions of yen |                           | Thousands of U.S. dollars |
|---|-----------------|---------------------------|---------------------------|
|   | Contract amount | Recognized gains (losses) | Recognized gains (losses) |
| <b>Currency related contracts:</b>        |                 |                           |                           |
| Swap contracts                            |                 |                           |                           |
| Sell U.S. dollars .....                   | ¥1,182          | ¥(240)                    | \$(1,935)                 |
| Purchase U.S. dollars.....                | 4,699           | 78                        | 629                       |
| <b>Total.....</b>                         |                 | ¥(162)                    | \$(1,306)                 |
| <b>Interest rate related contracts:</b>   |                 |                           |                           |
| Option contracts                          |                 |                           |                           |
| Swaption Purchase .....                   | ¥ 1,000         | ¥ (54)                    | \$ (435)                  |
| Swap contracts                            |                 |                           |                           |
| Receive fixed for variable rates.....     | 84,075          | 579                       | 4,669                     |
| Receive variable for fixed rates.....     | 92,247          | (7,686)                   | (41,983)                  |
| Receive variable for variable rates ..... | 1,243           |                           | 56                        |
| <b>Total.....</b>                         |                 | ¥(7,153)                  | \$(57,685)                |

|                                     | Millions of yen |                           | Thousands of U.S. dollars |
|-------------------------------------|-----------------|---------------------------|---------------------------|
|                                     | Contract amount | Recognized gains (losses) | Recognized gains (losses) |
| <b>Bond related contracts:</b>      |                 |                           |                           |
| Forward contracts                   |                 |                           |                           |
| Bond Purchase .....                 | ¥10,000         | ¥(200)                    | \$ (1,613)                |
| Total .....                         |                 | ¥(200)                    | \$ (1,613)                |
| <b>Other related contracts:</b>     |                 |                           |                           |
| Credit swap contracts .....         | ¥2,147          | ¥13                       | \$105                     |
| Total .....                         |                 | ¥13                       | \$105                     |
| <b>Commodity related contracts:</b> |                 |                           |                           |
| Future contracts                    |                 |                           |                           |
| Metals Sell .....                   | ¥ 523           | ¥ (2)                     | \$ (16)                   |
| Purchase .....                      | 7               | 0                         | 0                         |
| Foodstuffs Sell .....               | 284             | 0                         | 0                         |
| Purchase .....                      | 272             | (17)                      | (137)                     |
| Forward contracts                   |                 |                           |                           |
| Metals Sell .....                   | 2,849           | 61                        | 492                       |
| Purchase .....                      | 6,020           | 192                       | 1,548                     |
| Total .....                         |                 | ¥ 233                     | \$ 1,879                  |

Outstanding positions and unrealized gains and losses at March 31, 2000 were as follows:

|   | Millions of yen |                           | Thousands of U.S. dollars |
|---|-----------------|---------------------------|---------------------------|
|   | Contract amount | Unrealized gains (losses) | Unrealized gains (losses) |
| <b>Currency related contracts:</b>        |                 |                           |                           |
| Foreign exchange contracts                |                 |                           |                           |
| Sell U.S. dollars .....                   | ¥ 48,930        | ¥ (144)                   | \$ (1,358)                |
| Other currencies .....                    | 2,317           | 161                       | 1,519                     |
| Purchase U.S. dollars .....               | 43,542          | (836)                     | (7,887)                   |
| Euro .....                                | 2,970           | (110)                     | (1,038)                   |
| Other currencies .....                    | 2,552           | (186)                     | (1,755)                   |
| Swap contracts                            |                 |                           |                           |
| U.S. dollars .....                        | 4,714           | (492)                     | (4,642)                   |
| German marks .....                        | 22,533          | (7,006)                   | (66,094)                  |
| Total .....                               |                 | ¥ (8,613)                 | \$ (81,255)               |
| <b>Interest rate related contracts:</b>   |                 |                           |                           |
| Option contracts                          |                 |                           |                           |
| Cap Purchase .....                        | ¥ 750           | ¥ (20)                    | \$ (189)                  |
| Swaption Sell .....                       | 2,511           | (19)                      | (179)                     |
| Purchase .....                            | 3,284           | (63)                      | (594)                     |
| Swap contracts                            |                 |                           |                           |
| Receive fixed for variable rates .....    | 152,394         | 8,207                     | 77,425                    |
| Receive variable for fixed rates .....    | 571,895         | (17,194)                  | (162,208)                 |
| Receive variable for variable rates ..... | 48,389          | 405                       | 3,821                     |
| Total .....                               |                 | ¥ (8,684)                 | \$ (81,924)               |

|                            | Millions of yen |                           | Thousands of U.S. dollars |
|----------------------------|-----------------|---------------------------|---------------------------|
|                            | Contract amount | Unrealized gains (losses) | Unrealized gains (losses) |
| Bond related contracts:    |                 |                           |                           |
| Future contracts           |                 |                           |                           |
| Bond Purchase .....        | ¥ 2,359         | ¥ 8                       | \$ 75                     |
| Forward contracts          |                 |                           |                           |
| Bond Purchase .....        | 10,000          | (418)                     | (3,943)                   |
| <b>Total.....</b>          |                 | <b>¥(410)</b>             | <b>\$ (3,868)</b>         |
| Other related contracts:   |                 |                           |                           |
| Credit swap contracts..... | ¥ 7,781         | ¥ 109                     | \$ 1,028                  |
| <b>Total.....</b>          |                 | <b>¥ 109</b>              | <b>\$ 1,028</b>           |

|                              | Millions of yen |                           | Thousands of U.S. dollars |
|------------------------------|-----------------|---------------------------|---------------------------|
|                              | Contract amount | Unrealized gains (losses) | Unrealized gains (losses) |
| Commodity related contracts: |                 |                           |                           |
| Future contracts             |                 |                           |                           |
| Metals Sell .....            | ¥ 2,819         | ¥ 48                      | \$ 453                    |
| Purchase .....               | 3,256           | 3                         | 28                        |
| Foodstuffs Sell .....        | 3,062           | 56                        | 528                       |
| Purchase .....               | 4,522           | 65                        | 613                       |
| Forward contracts            |                 |                           |                           |
| Metals Sell .....            | 61,970          | (1,672)                   | (15,773)                  |
| Purchase .....               | 47,322          | (1,093)                   | (10,311)                  |
| Option contracts             |                 |                           |                           |
| Foodstuffs                   |                 |                           |                           |
| Sell options                 |                 |                           |                           |
| Call .....                   | 394             | (23)                      | (217)                     |
| Purchase options             |                 |                           |                           |
| Call .....                   | 1,458           | (2)                       | (19)                      |
| <b>Total.....</b>            |                 | <b>¥(2,618)</b>           | <b>\$ (24,698)</b>        |

Contract amounts of option and swap contracts are represented by notional amounts which are not appropriate for evaluating market or credit risk.

#### 15. CASH FLOW FROM ACQUISITION OF NEWLY CONSOLIDATED SUBSIDIARIES

The amounts of assets and liabilities at the time the Companies acquired control of information technology related subsidiaries from Nichimen Corp., which were newly consolidated for the year ended March 31, 2001, acquisition cost of those companies and the amounts of net expenditure for acquisition are as follows:

|  | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Current assets .....                                 | ¥20,157         | \$162,557                 |
| Non-current assets .....                             | 3,634           | 29,306                    |
| Goodwill recognized on consolidation .....           | 40,315          | 325,121                   |
| Current liabilities .....                            | (20,812)        | (167,838)                 |
| Long-term liabilities .....                          | (259)           | (2,089)                   |
| Minority interests .....                             | (133)           | (1,073)                   |
| Acquisition cost .....                               | 42,902          | 345,984                   |
| Cash and cash equivalents of acquired companies..... | (3,629)         | (29,267)                  |
| <b>Net expenditure .....</b>                         | <b>¥39,273</b>  | <b>\$316,717</b>          |

## 16. EFFECT OF BANK HOLIDAY ON MARCH 31, 2001

In case the balance sheet date is a bank holiday, notes maturing on the balance sheet date are settled on the following business day and accounted for accordingly. The effects of the settlements on April 2 instead of March 31 included the following:

|                  |   |
|------------------|---|
| Notes receivable | Increased by ¥28,832 million (\$232,516 thousand) |
| Notes payable    | Increased by ¥26,912 million (\$217,032 thousand) |

## 17. THE MEDIUM-TERM MANAGEMENT PLAN 2002

The Board of Directors approved a three year plan “Medium-Term Management Plan 2002” on August 6, 1999.

This plan follows the slogan “Selection and Concentration” based on the three year plan approved April 23, 1999, which has two fundamental policies to “Improve financial position” and to “Reform earnings structure”.

The key points of this plan are to improve our financial position by streamlining consolidated assets and reducing interest-

bearing debt each by ¥1,200 billion in three years, to strengthen consolidated management by merging and liquidating Group companies, and to concentrate resources in strategic core businesses.

With strong enforcement of this plan to improve our financial position and business activities, it is possible that the plan will have an effect on the financial position and the results of operations in the next fiscal year.

## 18. SUBSEQUENT EVENTS

—Merger of Nissho Iwai Apparel Co., Ltd. and Teijin Shoji Co., Ltd.—

On April 1, 2001, Nissho Iwai Apparel Co., Ltd., a 100% subsidiary of the Company merged with Teijin Shoji Co., Ltd. for the purpose of strengthening consolidated management and fortifying our market position in the textile industry, and aimed at further improvement in corporate value.

Details of the merger agreement and profile of the new company are as follows:

- A) Date of merger: April 1, 2001
- B) Surviving company:  
Nissho Iwai Apparel Co., Ltd. was dissolved, with Teijin Shoji Co., Ltd. as the surviving entity.
- C) Merger ratio (Stock conversion ratio):  
0.9854 par value common share of Teijin Shoji Co., Ltd. for each par value common share of Nissho Iwai Apparel Co., Ltd.
- D) Shareholding: the Company 28.0%, Teijin Limited 68.2%, Others 3.8%

—A strategic alliance in the LNG business—

On June 20, 2001, the Company reached a basic agreement on forming a comprehensive strategic alliance with Sumitomo Corp. in the field of the Liquefied Natural Gas (LNG) business. Under the alliance the Company will transfer the LNG business to the joint-venture company.

### (1) Purpose of transfer and alliance

To intensify growth in the LNG business, the Company decided to spin off the LNG business and be allied with a strategic partner from the point of view of long-term expansion. Through joint management with Sumitomo Corp., the Company will aggressively participate in new large development projects and make full use of the synergy effect produced by the alliance in order to attain the leading position in the industry.

### (2) Scope of the business transferred to the joint-venture company

- A) Schedule of transfer of business: September 30, 2001
- B) Content of the business transferred to the joint-venture company: The entire LNG business and related investments
- C) Ownership of Joint-venture: the Company 50%, Sumitomo Corporation 50%
- D) Methods of valuation and settlement: The value and settlement of transfer will be determined between two companies.

## Report of Independent Public Accountants

To the Shareholders and  
the Board of Directors of  
Nissho Iwai Corporation:

We have audited the accompanying consolidated balance sheets of Nissho Iwai Corporation (a Japanese corporation) and subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2001, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards 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 Nissho Iwai Corporation and subsidiaries as of March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2001 in conformity with accounting principles generally accepted in Japan applied on a consistent basis, during the periods, except for the new accounting policies and changes in accounting policies, with which we concur, as noted in the following paragraph.

As explained in Note 2, Nissho Iwai Corporation and subsidiaries prospectively adopted new Japanese accounting standard for consolidation and equity method accounting and software in the year ended March 31, 2000, and adopted new Japanese accounting standards for financial instruments, employees' severance and retirement benefits and foreign currency translation in the year ended March 31, 2001. Also, Nissho Iwai Corporation and subsidiaries changed their method of accounting for securities with respect to certain subsidiaries in the United States of America as referred to in Note 2 effective for the year ended March 31, 2000, and their methods of disclosure of segment information as described in Note 7 effective for each of the years ended March 31, 2000 and 2001.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Tokyo, Japan  
June 27, 2001



Asahi & Co  
(Member Firm of Andersen Worldwide SC)

### Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in the practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

## GLOBAL NETWORK

AS OF JULY 1, 2001



New Tokyo headquarters building—  
operations began March 19, 2001

### Offices

#### JAPAN

##### HEADQUARTERS:

OSAKA  
TOKYO

##### OTHER OFFICES:

NAGOYA (AICHI PREF.)  
KYUSHU (FUKUOKA PREF.)  
HOKKAIDO (HOKKAIDO PREF.)  
CHUGOKU (HIROSHIMA PREF.)  
CHIBA (CHIBA PREF.)  
CHITA (AICHI PREF.)  
FUKUI (FUKUI PREF.)  
HAKODATE (HOKKAIDO PREF.)  
HAMAMATSU  
(SHIZUOKA PREF.)  
HIMEJI (HYOGO PREF.)  
HOKURIKU (TOYAMA PREF.)  
HOKKO (OSAKA PREF.)

KAKOGAWA (HYOGO PREF.)  
KAMAISHI (IWATE PREF.)  
KIMITSU (CHIBA PREF.)  
KITA-KYUSHU  
(FUKUOKA PREF.)  
KOBE (HYOGO PREF.)  
MATSUYAMA (EHIME PREF.)  
MURORAN (HOKKAIDO PREF.)  
NAGANO (NAGANO PREF.)  
NAGASAKI (NAGASAKI PREF.)  
NAHA (OKINAWA PREF.)  
NIIGATA (NIIGATA PREF.)  
OITA (OITA PREF.)  
OKAYAMA (OKAYAMA PREF.)  
SHIZUOKA (SHIZUOKA PREF.)  
TAKAMATSU (KAGAWA PREF.)  
TOHOKU (MIYAGI PREF.)  
TOKUYAMA  
(YAMAGUCHI PREF.)  
UBE (YAMAGUCHI PREF.)

**AMERICAS****U. S. A.**

NISSHO IWAI AMERICAN CORPORATION  
NEW YORK / CHARLOTTE / WASHINGTON / DETROIT / CLEVELAND / NASHVILLE / CHICAGO / HOUSTON / LOS ANGELES / PORTLAND / BELLEVUE / SEATTLE / TUCSON

**CANADA**

NISSHO IWAI CANADA LTD.  
TORONTO / INGERSOLL / VANCOUVER

**MEXICO**

NISSHO IWAI MEXICANA S.A. DE C.V.  
MEXICO CITY / AGUASCALIENTES

**PANAMA**

NISSHO IWAI PANAMA INTERNATIONAL S.A.  
PANAMA

**GUATEMALA**

NISSHO IWAI DE CENTROAMERICA Y EL CARIBE, S.A.  
GUATEMALA / PANAMA / SAN JOSE

**COLOMBIA**

NISSHO IWAI DE COLOMBIA S.A.  
BOGOTA

**VENEZUELA**

NISSHO IWAI DE VENEZUELA C.A.  
CARACAS

**ECUADOR**

NIC DEL ECUADOR S.A.  
QUITO

**PERU**

NISSHO IWAI DEL PERU S.A.  
LIMA

**BRAZIL**

NISSHO IWAI DO BRASIL S.A.  
SÃO PAULO / RIO DE JANEIRO

**ARGENTINE**

NISSHO IWAI (ARGENTINA) S.A.  
BUENOS AIRES

**CHILE**

NISSHO IWAI (CHILE) LTDA.  
SANTIAGO

**CUBA**

HAVANA

**EUROPE AND AFRICA****U.K.**

NISSHO IWAI EUROPE PLC  
LONDON / ABERDEEN

**NORWAY**

NISSHO IWAI EUROPE PLC  
OSLO

**GERMANY**

NISSHO IWAI DEUTSCHLAND GMBH  
DÜSSELDORF / HAMBURG

**FINLAND**

NISSHO IWAI DEUTSCHLAND GMBH  
HELSINKI

**BELGIUM**

N.V. NISSHO IWAI (BENELUX) S.A.  
BRUSSELS

**FRANCE**

NISSHO IWAI FRANCE S.A.  
PARIS

**ITALY**

NISSHO IWAI ITALIA S.P.A.  
MILANO

**SPAIN**

NISSHO IWAI IBERIA S.A.  
MADRID

**PORTUGAL**

NISSHO IWAI IBERIA S.A.  
LISBON

**GREECE**

PIRAEUS

**AUSTRIA**

NISSHO IWAI EUROPE PLC  
WIEN

**ROMANIA**

NISSHO IWAI EUROPE PLC  
BUCHAREST

**POLAND**

NISSHO IWAI EUROPE PLC  
WARSZAWA

**TURKEY**

NISSHO IWAI EUROPE PLC  
ISTANBUL

**ISRAEL**

TEL-AVIV

**ALGERIA**

NISSHO IWAI FRANCE S.A.  
ALGER

**SOUTH AFRICA**

JOHANNESBURG

**ZIMBABWE**

HARARE

**ANGOLA**

LUANDA

**NIGERIA**

NISSHO IWAI (NIGERIA) LTD.  
LAGOS

**COTE D'IVOIRE**

ABIDJAN

**KENYA**

NAIROBI

**MIDDLE EAST, CIS, ASIA AND OCEANIA****SAUDI ARABIA**

AL-KHOBAR  
RIYADH  
JEDDAH

**YEMEN**

SANAA

**QATAR**

DOHA

**U. A. E.**

ABU DHABI  
DUBAI

**OMAN**

MUSCAT

**IRAQ**

BAGHDAD

**JORDAN**

AMMAN

**EGYPT**

CAIRO

**IRAN**

NISSHO IWAI CORPORATION,  
(IRAN) LTD.  
TEHERAN

**UZBEKISTAN**

TASHKENT

**AZERBAIDJAN**

BAKU

**KAZAKHSTAN**

ALMATY

**RUSSIA**

MOSCOW  
KHABAROVSK

**UKRAINE**

KIEV

**MONGOLIA**

ULAANBAATAR

**INDIA**

NEW DELHI  
BOMBAY  
PUNE  
CALCUTTA  
JAMSHEDPUR  
MADRAS  
BANGALORE

**BANGLADESH**

DHAKA  
CHITTAGONG

**PAKISTAN**

KARACHI  
ISLAMABAD

**THAILAND**

NISSHO IWAI (THAILAND) LIMITED  
PARTNERSHIP  
BANGKOK

THAI SUNROCK COMPANY LTD.

BANGKOK

**MYANMAR**

YANGON

**VIETNAM**

HANOI  
HO CHI MINH CITY  
DANANG  
VUNG TAU

**LAOS**

VIENTIANE

**CAMBODIA**

PHNOM PENH

**MALAYSIA**

KUALA LUMPUR  
KOTA KINABALU  
MIRI

SUNROCK (MALAYSIA) SENDIRIAN  
BERHAD  
KUALA LUMPUR

**SINGAPORE**

SINGAPORE

NISSHO IWAI INTERNATIONAL  
(SINGAPORE) LTD.  
SINGAPORE

**THE PHILIPPINES**

PHILIPPINE

**INDONESIA**

JAKARTA

P.T. NISSHO IWAI INTERNATIONAL  
INDONESIA  
JAKARTA

**AUSTRALIA**

NISSHO IWAI AUSTRALIA LIMITED  
SYDNEY / MELBOURNE / PERTH /  
BRISBANE

**PAPUA NEW GUINEA**

NISSHO IWAI AUSTRALIA LIMITED  
PORT MORESBY

**NEW ZEALAND**

NISSHO IWAI NEW ZEALAND  
LIMITED  
AUCKLAND

**KOREA**

NISSHO IWAI KOREA  
CORPORATION  
SEOUL / BUSAN / POHANG /  
KWANG-YANG

**TAIWAN**

TAIPEI

NISSHO IWAI TAIWAN  
CORPORATION LIMITED  
TAIPEI / KAOHSIUNG

**CHINA**

BEIJING  
TIANJIN  
QINGDAO  
WUHAN  
NANJING  
CHONGQING  
DALIAN  
SHANGHAI  
GUANGZHOU

NISSHO IWAI (CHINA) CO., LTD.  
BEIJING

NISSHO IWAI (SHANGHAI)  
CORPORATION  
SHANGHAI

NISSHO IWAI (DALIAN) CO., LTD.  
DALIAN

NISSHO IWAI (GUANGZHOU)  
CORPORATION  
GUANGZHOU

NISSHO IWAI (TIANJIN)  
CORPORATION  
TIANJIN

NISSHO IWAI (QINGDAO)  
CORPORATION  
QINGDAO

NISSHO IWAI HONG KONG  
CORPORATION LIMITED  
HONG KONG / SHENZHEN /  
XIAMEN / KUNMING

## MAJOR SUBSIDIARIES AND AFFILIATES

### MACHINERY COMPANY

#### Plant & Project Group

##### JAPAN

**NI CONSTRUCTION MACHINERY CORP.**  
*Sales of construction machinery*

**NITEC CORP.**  
*Sales of Heavy, Chemical, Food and Plastic Machinery, Systems for Media & Device and Environmental Protection*

**SENDZIMIR JAPAN, LTD.**  
*Sendzimir rolling mill manufacturing and sales*

##### THAILAND

**ASIAN TRADE & LEASING CO., LTD.**  
*Multifinance services*

##### INDONESIA

**P.T. MAHARAJA ARTHASTAR INDONESIA FINANCE**  
*Multifinance services*

##### SINGAPORE

**NI OFFSHORE TRADE & INVESTMENT PTE., LTD.**  
*Investment and trading offshore oil & gas development related facilities and equipment*

**ASIA CABLE ENGINEERING CO., PTE., LTD.**  
*Cable outfitting and connection operations*

#### Industrial System & Automotive Group

##### JAPAN

**N.I. EURO-MOTORS CO., LTD.**  
*Sale of Porsche and Peugeot automobiles*

**STERN NISHI IKEBUKURO CO., LTD.**  
*Mercedes-Benz car sales*

**NISSHO IWAI CHUBU MACHINERY CO., LTD.**  
*Sale of industrial robots and machinery equipment*

**NISSHO IWAI MOTOR SALES CORP.**  
*Sale of Peugeot automobiles*

**NISSHO IWAI MACHINERY SYSTEM CORP.**  
*Sales of chemical machinery and industrial machinery*

**NISSHO IWAI MECHATRONICS CORP.**  
*Factory automation system and equipment, and humidified refrigerator sales*

##### U.S.A.

**MAZAK NISSHO IWAI CORP.**  
*Distributor of laser cutting machines*

**METAL PROCESSING SYSTEMS, INC.**  
*Import and sale of metal processing machines*

**OAC INC.**  
*Sales of ultraviolet exposure equipment and related parts*

##### VENEZUELA

**MMC AUTOMOTRIZ, S.A.**  
*Mitsubishi and Hyundai auto import, assembly and distribution*

##### CHILE

**AUTOMOTRIZ PROTON S.A.**  
*Import and sales of Proton cars*

##### GERMANY

**ORC MANUFACTURING VERTRIEBS GMBH**  
*Ultraviolet exposure equipment sales*

##### BELGIUM

**MAZAK NISSHO IWAI EUROPE N.V./S.A.**  
*CO2 laser processing machine sales*

##### FRANCE

**MAZAK LASER FRANCE SARL**  
*CO2 laser processing machine sales*

##### ITALY

**MAZAK LASER ITALIA S.R.L.**  
*CO2 laser processing machine sales*

##### SPAIN

**KIA MOTORS ESPANA, S.A.**  
*Distribution of Kia automobiles*

##### THAILAND

**GN LEASING CO., LTD.**  
*Sale of motorcycles by installment*

**AUTRANS (THAILAND) CO., LTD.**  
*Warehousing and transport operations*

##### MALAYSIA

**KAWASAKI MOTORS HOLDING (MALAYSIA) SDN., BHD.**  
*Holding company of Kawasaki Motorcycles manufacturing plant*

##### SINGAPORE

**HOWA MACHINERY SINGAPORE PTE., LTD.**  
*Import and sales of machine tools, and customer service*

##### THE PHILIPPINES

**AICHI FORGING COMPANY OF ASIA, INC.**  
*Manufacture and sale of steel forging parts*

**ASIAN TRANSMISSION CORP.**  
*Transmission manufacturing and Engine Assembly*

**MITSUBISHI MOTORS PHILIPPINES CORP.**  
*Mitsubishi auto import, assembly and distribution*

**AUTRANS PHILIPPINES CORP.**  
*Warehousing and transport operations*

##### INDONESIA

**P.T. ARTHACAKRA MULTIFINANCE**  
*Automobile leasing*

##### CHINA

**NISSHO-ORIENT (SHANGHAI) MACHINERY TECHNICAL CENTER CO., LTD.**  
*Maintenance service, technical application engineering and sales of machine tools*

##### VIETNAM

**VIETNAM SUZUKI CORP.**  
*Suzuki automobile and motorcycle manufacturing and sales*

##### RUSSIA

**SUBARU MOTOR LLC.**  
*Distributor of Subaru automobiles*

## METALS COMPANY

### Aerospace, Marine & Rolling Stock Group

#### JAPAN

**NI AIRCRAFT LEASING CORP.**  
*Used aircrafts sale and leasing*

**KOKUSAI KISEN K.K.**  
*Ship broker and agent*

**NISSHO IWAI AEROSPACE CORP.**  
*Import and sales of aerospace systems/parts*

**NIMAC CORP.**  
*Marine and other machinery sales*

**NI WELDING CORP.**  
*Welding materials sales*

**NISSIN GAS ENGINEERING LTD.**  
*Sale of gas reliquefying devices*

**NI-KOBE WELDING CO., LTD.**  
*Welding materials sales*

#### U.S.A.

**NIMAC AMERICA, INC.**  
*Sale of marine equipment*

**NISSHO IWAI AEROSPACE (AMERICA) CORP.**  
*Export of aerospace systems/parts*

**ASANO AMERICA, INC.**  
*Sales of transmission gears and related products*

#### IRELAND

**SUNROCK AIRCRAFT CORPORATION LTD.**  
*Aircraft operating leasing*

#### JAPAN

**ASAMI STEEL SERVICE CORP.**  
*Processing and sale of thin steel sheet*

**ARIAKE STEEL CENTER CO., LTD.**  
*Steel sheet and bar processing and warehousing*

**ALTOWN CORP.**  
*Sale and maintenance of automobiles*

**NISSHO IWAI STEEL TRADE CO., LTD.**  
*Export/import of steel products*

**NI STAINLESS CENTER CO., LTD.**  
*Processing and sale of stainless steel sheet*

**NI ALLOY STEEL CO., LTD.**  
*Processing and sale of special steel sheet*

**NI-METAL CO., LTD.**  
*Delivery service operations*

**KYUSHU STEEL CORP.**  
*Steel bar manufacturing and sales*

**CREATIVE DIECAST CORP.**  
*Manufacture and machining aluminium diecast products*

**KOMATSUGAWA KOKI K.K.**  
*Light-gauge steel rolling*

**SUNROCK OYODO CO., LTD.**  
*Wire product manufacturing*

**SUZUYASU CORP.**  
*Steel product sales*

**TEIMO CO., LTD.**  
*Wire gauge manufacturing*

**TOKAI STEEL CORP.**  
*Steel bar manufacturing and sales*

**NIK METAL CORP.**  
*Steel product sales*

**NISSHO IWAI STRUCTURAL STEEL CO., LTD.**  
*Structural steel sales*

**NI STEEL PRODUCTS CO., LTD.**  
*Steel product wholesaling*

**NISSHO IWAI STEEL LEASING CO., LTD.**  
*Construction material leasing*

**NISSHO IWAI ALCONIX CORP.**  
*Non-ferrous metals sales and rental*

**NISSHO IWAI BENTONITE CO., LTD.**  
*Bentonite powder and Volclay panel sales*

**HAMAMATSU KOHAN KAKO CO., LTD.**  
*Steel sheet shearing and slitting*

**FUJISHO COMPANY LTD.**  
*Stainless Scrap Dealer*

**UNICON CO., LTD.**  
*Pail can manufacturing*

**UNIVERSAL PRINT CORP.**  
*Print processing for cans*

**WATAEI STEEL CO., LTD.**  
*Steel product sales*

**AIKI TEKKO HANBAI CO., LTD.**  
*Steel product sales*

**ARAYA SPECIAL METAL CO., LTD.**  
*Sale of steel pipes*

**IMARI STEEL CENTER CO., LTD.**  
*Processing, sale and warehousing of steel*

**O. F. INDUSTRIAL CO., LTD.**  
*Special processing of stainless steel sheet*

**CANOX CORP.**  
*Steel product sales*

**KONDO STEEL WIRE CO., LTD.**  
*Manufacture of parts for industrial chains*

**CBMM ASIA CO., LTD.**  
*Sale of niobium Products*

**SHINKO KOHAN KAKO, LTD.**  
*Steel service center*

**SHINKO CORP.**  
*Specialized trader of stainless steel*

**SHINSEI KOGYO CO., LTD.**  
*Wire processing and sales*

**DAINIPPON FOIL INDUSTRIES CO., LTD.**  
*Processing of food storage wrap*

**TECHNO STEEL CORP.**  
*Various rolled products and flat bar manufacturing and sales*

**TOPURA CO., LTD.**  
*Manufacture and sale of screws and bolts*

**TTC CO., LTD.**  
*Manufacture and sale of screws and bolts*

**NIHON SEIKO CO., LTD.**  
*Antimony product manufacturing*

**MAXIS CORP.**  
*Sale of special steel products*

**METAL ART CORP.**  
*Steel forging*

#### U.S.A.

**ALLOY TOOL STEEL, INC.**  
*Distributor and processor of alloy steel*

**N-I ENERGY DEVELOPMENT, INC.**  
*Pipe and tube import and sales*

**NI METAL PRODUCTS, INC.**  
*Distributor of air conditioner tubes and parts*

**NIAC STEEL SALES, INC.**  
*Distributor of steel pipes*

**SANSHIN INDUSTRIAL (U.S.A.) CORP.**  
*Manufacture of press products for use in FD*

**MARUICHI AMERICAN CORP.**  
*Steel pipe manufacturing and sales*

**STRATEGIC MINERALS CORP.**  
*Vanadium production and sales*

**TWN FASTENER INC.**  
*Construction and industrial fastener manufacturing and sales*

#### CANADA

**MONZEN STEEL INC.**  
*Steel service centers*

**NISSHO IWAI COAL DEVELOPMENT (CANADA) LTD.**  
*Coal mining*

**NISSHO IWAI MOLY RESOURCES, INC.**  
*Molybdenum mining*

#### MEXICO

**SANSHIN DE MEXICO S.A. DE C.V.**  
*Manufacture and sale of parts for metal presses*

**NICOMETAL MEXICANA, S.A. DE C.V.**  
*Process and sale of steel sheet*

## METALS COMPANY

**SANOI INDUSTRIAL DE MEXICO, S.A. DE C.V.**

*Brake-tube manufacturing*

### FRANCE

**NISSHIN FRANCE S.A.**

*Stockholder and management company of Le Nikkel Corp. Valve manufacturing and sales*

### CZECH

**NIKOM, A.S.**

*Ferrovanadium production and sales*

### SOUTH AFRICA

**NSA METALS (PROPRIETARY) LTD.**

*Finance company; sale of ferrochrome*

### THAILAND

**MAHAJAK KYODO CO., LTD.**

*Cold Finished Bar Manufacturing*

**NI STEEL SALES (THAILAND) CO., LTD.**

*Sale of steel products*

### VIETNAM

**VIETNAM JAPAN ALUMINIUM CO., LTD.**

*Aluminum extrusion products manufacturing and sales*

**VINANIC STEEL PROCESSING CO.**

*Cutting and processing of steel sheet*

### MALAYSIA

**COLD PARTS (MALAYSIA) SDN., BHD.**

*Marketing and sales of OA/AV parts*

**NICOM STEEL CENTRE (MALAYSIA) SDN., BHD.**

*Steel coil and sheet processing and sales*

**SUNROCK STEEL CENTRE (MALAYSIA) SDN., BHD.**

*Steel coil and sheet processing and sales*

### SINGAPORE

**N-I TUBULAR INTERNATIONAL PTE., LTD.**

*Sale of steel pipes*

**NISSHIN INDUSTRY (SINGAPORE) PTE., LTD.**

*Copper tripod manufacturing*

**SINGAPORE ELECTRICAL STEEL SERVICES PTE., LTD.**

*Electrical steel processing and sales*

### THE PHILIPPINES

**COIL TECH MANILA, INC.**

*Steel sheet processing center*

### INDONESIA

**P.T. INDONESIA STEEL TUBE WORKS LTD.**

*Steel tube manufacturing and sales*

**P.T. IRON WIRE WORKS INDONESIA**

*Steel wire manufacturing*

**P.T. SESS INDONESIA**

*Steel stamping*

**P.T. NICORINDO BAJA**

*Steel sheet processing center for automobiles and consumer electronics*

### AUSTRALIA

**NISSHO IWAI ALUMINA PTY., LTD.**

*Refinement and sale of aluminum*

**CATHERINE HILL RESOURCES PTY., LTD.**

*Coal mining*

**KOBE ALUMINA ASSOCIATES (AUSTRALIA) PTY., LTD.**

*Alumina production*

**WINNIN PTY., LTD.**

*Coal mining*

**WINVIEW PTY., LTD.**

*Coal mining*

### KOREA

**MASAN STEEL TUBE WORKS CO., LTD.**

*Steel pipe manufacturing and sales*

### CHINA

**NIFAST (SHANGHAI) CO., LTD.**

*Secondary iron rod products*

**SHANGHAI JIARI PRECISE STEEL SHEET PRODUCTS CO., LTD.**

*Processing and sales of steel plates*

**SHUNDE HUA RI STEEL COIL CENTER CO., LTD.**

*Steel service center*

**TIANJIN RIHUA STEEL PRODUCTS CO., LTD.**

*Processing and sales of steel plates*

**WELLING STEEL TRADING CO., LTD.**

*Investment operations for development of mining in China*

**KAWAMURA PRECISION MATERIAL (WUXI) CO., LTD.**

*Manufacture and sale of capillary tubing for refrigerators and air conditioners*

**MID-CONTINENT TUBULAR LTD.**

*Sale of oil well pipe equipment*

**SHENZHEN AERO-FASTENERS MANUFACTURING CO., LTD.**

*Fastener manufacturing*

**HAINAN HAIWOO TINPLATE INDUSTRY CO., LTD.**

*Manufacture and sale of tinplate for steel can*

## ENERGY COMPANY

### JAPAN

**TOKYO YUSO CORP.**

*Warehousing and tank leasing*

**NISSHO IWAI PETROLEUM CORP.**

*Petroleum product and LPG sales*

**NISSHO IWAI PETROLEUM GAS CORP.**

*LPG import and sales*

**NISSHO KOYU CO., LTD.**

*Petroleum product sales*

**JAPAN ENERGY SERVICE CORP.**

*Representative for LNG import*

**NUSANTARA GAS SERVICES CO., INC.**

*LNG import and sales*

**E-ENERGY CORP.**

*Nuclear fuel and equipment sales*

**NUSANTARA SHIPPING LTD.**

*LNG tanker navigation management*

### SINGAPORE

**NISSHO IWAI PETROLEUM CO., (SINGAPORE) PTE., LTD.**

*Crude oil/oil products trading*

## Chemicals Group

### JAPAN

**NI TECHNOPLAS CO., LTD.**  
Coloring and processing of ABS synthetic resin

**SAMBOW PLASTICS CO., LTD.**  
Vinyl chloride product manufacturing and sales

**DAIICHI KASEI CO., LTD.**  
Precision molding and assembly

**TAIHO FILM MANUFACTURING CO., LTD.**  
Manufacture and sale of polyethylene film

**TAIYO CHEMICAL INDUSTRY CO., LTD.**  
Vinyl chloride film manufacturing and sales

**NISSHO IWAI CHEMICAL CORP.**  
Chemical product sales

**NISSHO IWAI CEMENT CORP.**  
Wholesaling of cement, ready-mixed concrete, and other building materials

**YAHATA CONCRETE CO., LTD.**  
Manufacture and sale of ready-mixed concrete

**YAHATA READY MIXED CONCRETE CO., LTD.**  
Manufacture and sale of ready-mixed concrete

**ICHIKOH INTERNATIONAL CO., LTD.**  
Synthetic resin material sales

**TAKAICHI CO., LTD.**  
Polyethylene film manufacturing

**TAFUNIC CO., LTD.**  
Manufacture and sale of agricultural film

**TOKUYAMA TSUSHO CORP.**  
Wholesaling of cement, ready-mixed concrete, and other building materials

**JAPAN WAVELOCK CO., LTD.**  
Plastics and textiles processing

**FUJI KAKO CO., LTD.**  
Plastic pipe manufacturing and sales

**LAFARGE BRAAS ROOFING JAPAN CO., LTD.**  
Manufacture and sale of roof covers; manufacture of concrete roofing tiles

**PLA-NET HOLDING, INC.**  
Holding company of NISSHO IWAI PLASTIC CORP.

### U.S.A.

**IKKA TECHNOLOGY INC.**  
Manufacturing and sales of plastic parts and components

**NATIONAL PIPE & PLASTICS, INC.**  
PVC pipe manufacturing and sales

### NETHERLANDS

**TEIJIN KASEI EUROPE B.V.**  
Storage, repacking and shipping of polycarbonate plastic

### PORTUGAL

**NEMOTO PORTUGAL-QUMICA FINA, LDA.**  
Nonorganic fluorescent pigment manufacturing and sales

### THAILAND

**MC INDUSTRIAL CHEMICAL CO., LTD.**  
Chemicals importing and sales

**THAI CENTRAL CHEMICAL PUBLIC CO., LTD.**  
Fertilizer production and sales

**THAI GCI RESITOP CO., LTD.**  
Phenol resin manufacturing and sales

### VIETNAM

**JAPAN VIETNAM FERTILIZER COMPANY**  
Production and sale of compound fertilizer

**PTN CHEMICALS COMPANY LTD.**  
Raw material of detergent alky-benzene salphonic acid manufacturing and sales

### THE PHILIPPINES

**AFC FERTILIZER AND CHEMICALS, INC.**  
Fertilizer production and sales

### INDONESIA

**P.T. KALTIM METHANOL INDUSTRI**  
Manufacture and sale of methanol

### AUSTRALIA

**NISSHO IWAI MINERAL SANDS (AUSTRALIA) PTY., LTD.**  
Mineral resource development, production and sales

### KOREA

**N.I. AGROSCIENCE CORP.**  
Promotion control for pesticide sales

### CHINA

**SHANGHAI NEW WAKO PRECISION PLASTICS CO., LTD.**  
Precision mold injectors for plastics

**TIANJIN SUNSHINE PLASTICS CO., LTD.**  
BOPP film manufacturing and sales

**YINGKOU QUNXING SILICON CARBIDE CO., LTD.**  
Pulverization of silicon carbide ceramic

## Housing Materials & General Merchandise Group

### JAPAN

**NI HOUSING MATERIAL CO., LTD.**  
Housing material sales

**NISSHO IWAI PROMOTION CORP.**  
Sales promotion of imported cigarettes

**NI LUMBER CO., LTD.**  
Processing and wholesaling of lumber

**SUZUKEN CORP.**  
Processing and wholesaling of lumber and housing materials

**TORIN CO., LTD.**  
Wholesaling of logs and housing materials

**NICHIWA CORP.**  
Wholesaling of logs

**SUN BUILDING MATERIALS CORP.**  
Wholesaling of building materials

**NISSHO IWAI GENERAL MERCHANDISE CORP.**  
Import and wholesaling of cigarettes, shotguns and general merchandise

**NIPPON CROWN HOUSE CO., LTD.**  
Sale of wood-frame housing construction materials

**N.N. BUILDING MATERIALS CORP.**  
Wholesaling of building materials

**BEISEI INC.**  
Import tobacco leaf

**YOSHIMOTO RINGYO CO., LTD.**  
Processing and wholesaling of lumber and housing materials

**NCN CO., LTD.**  
Construction contracting for three-story wood-construction homes

**OKAMURA SANKO CO., LTD.**  
Lumber and sale of building materials

**KOHOKU VENEER CO., LTD.**  
Manufacture of plywood

**TAKEHARA KOGYO CO., LTD.**  
Processing of lumber; manufacture and sale of particleboard

## CHEMICALS, CONSUMER & FOREST PRODUCTS COMPANY

### NISSHO IWAI PAPER AND PULP CORP.

Import/export and wholesaling of paper and pulp

#### VIETNAM

### VIETNAM-JAPAN CHIP CORP.

Afforestation and wood chip manufacture

### QUY NHON PLANTATION FOREST COMPANY OF VIETNAM LTD.

Afforestation

#### MALAYSIA

### SAMLING FIBRE BOARD SDN., BHD.

MDF manufacturing

### SAMLING PLYWOOD (MIRI) SDN., BHD.

Plywood manufacturing

#### INDONESIA

### P.T. MITRA MUTIARA WOODTECH

Wooden interior products manufacturing

#### AUSTRALIA

### GREEN TRIANGLE PLANTATION FOREST COMPANY OF AUSTRALIA PTY. LTD.

Afforestation

### EAST VICTORIA PLANTATION FOREST COMPANY OF AUSTRALIA PTY. LTD.

Afforestation

## Food Products Group

#### JAPAN

### NSC LOGISTICS CO., LTD.

Logistics

### SEAFESTA CORP.

Sale of marine products for the domestic market

### NISSHO IWAI FOODS CORP.

Wholesaling of sugar and foodstuff

### NISSHO IWAI MEAT AND AGRICULTURE PRODUCTS CORP.

Wholesaling of meat and prepared foods

### NEW NOZAWA FOODS CORP.

Wholesale, polish and sale of rice

### K.K. NIF

Sale of processed foods

### SAITAMA SHIMADAYA CORP.

Manufacture and sale of noodles

### SHIKISHIMA STARCH MFG. CO., LTD.

Manufacture of starch and sweetener

### SHINSHU HAM CO., LTD.

Manufacture of ham and sausage

### FIRST OCEAN CO., LTD.

Import sale of marine products

### FUJI SEITO CO., LTD.

Sugar refining, developing sugar-related products and others

### MASUDAYA FOODS CORP.

Wholesale of wheat flour and rice

#### THAILAND

### SNB AGRIPRODUCTS LTD.

Crude rice bran oil production and sales

## Others

#### JAPAN

### THE CHUO WOOLEN MILLS, LTD.

Wool spinning and weaving

### N.I. TEIJIN SHOJI CO., LTD.

Textile trading

## CONSTRUCTION & URBAN DEVELOPMENT COMPANY

#### JAPAN

### NI COMMUNITY CORP.

General maintenance of buildings and condominiums

### SUNROCK DEVELOPMENT INC.

Hotel management and real estate development

### NISSHO IWAI REALNET CORP.

Realtor; sales of private housing

### NISSHO IWAI REAL ESTATE CORP.

Real estate development, sales, and brokerage

### TAKARAZUKA KAIHATSU CO., LTD.

Condominium development and sales

### YAMAGATA NEW CITY DEVELOPMENT CORP.

Real estate development and sales

### KYUSHU URBAN DEVELOPMENT CORP.

Hotel management

### CHELSEA JAPAN CO., LTD.

Development and operation of outlet center

#### VIETNAM

### THE LONG BINH DEVELOPMENT INDUSTRIAL ZONE JOINT VENTURE

Owning, operating and sales of industrial park near Ho Chi Minh, Vietnam

## OTHERS

#### JAPAN

### WORLD LEASING CORP.

Leasing

### NISSHO IWAI MANAGEMENT SERVICE CORP.

Management service

### LECREX CO., LTD.

Trade risk management consulting

### NI PERSONNEL CORP.

Temporary employment services

### NI SERVICE CORP.

Business support services

### NI TOURIST CORP.

Travel agency

### EBISTRADÉ. INC.

Integrated e-marketplace making company

### F R C INC.

Real estate rental management operations

### TOYO METAL SERVICE CORP.

Sale of raw materials for steel mills

### NISSHO IWAI KYUSHU CORP.

Wholesaling

### FUKUOKA HEAT SUPPLY CO., LTD.

Supply and sale of heat for regional air-conditioning and hot water boilers

### SHIKOKU NI CORP.

Manufacture and sales of steel

### NISSHO IWAI SHIKOKU CORP.

Wholesaling

### NISSHO IWAI TOHOKU CORP.

Wholesaling

### NISSHO IWAI NISHINIHON CORP.

Wholesaling

### NISSHO IWAI HIGASHINIHON CORP.

Wholesaling

### NISSHO IWAI HOKKAIDO CORP.

Wholesaling

### NISHIMOTO SANGYO CORP.

Steel product sales

### SANPUKU SHOJI CO., LTD.

Wholesaling of construction materials

### NI-OVICO CORP.

Sale and leasing of steel

## Nissho Iwai FTX Holdings Corporation



**Masanobu Kondo**  
CEO

*"Nissho Iwai FTX Holdings Corporation is a strategic administrative company aiming to structurally expand its finance business."*

Nissho Iwai FTX Holdings Corporation (FTX) was established in June 2001. As the strategic governing corporation of Nissho Iwai's financial business group companies, FTX fully employs the

synergies of each group company to handle financial services centered on the fee business, an area that draws fully on the capabilities of a *sogo shosha*. To maximize profitability and corporate value for group companies, FTX is considering injecting third-party capital into the company in the future.

The FTX group comprises 14 companies (five subsidiaries and nine secondary subsidiaries). Five companies form the financial business group, which handles such business as securities and investment advice; seven companies form the insurance business group, which manage insurance agent and brokerage business; and two companies form the commodity business group, which are involved with such businesses as commodity futures and dealing.

The functions and goals of each group are listed as follows:

**1. Financial Business Group**  
The financial business group is responsible for handling newly listed shares, establishing and marketing funds, liquidating assets and expanding the fee business in foreign exchange and

interest hedging.

**2. Insurance Business Group**  
In addition to agency services for existing clients, the insurance business group is responsible for cultivating new clients in the general market, developing and expanding the new insurance business and expanding the earnings base of companies.

**3. Commodity Business Group**  
The commodity business group is responsible for expanding fee business that ties together clients and markets in the expanding commodity futures market.

Projected consolidated performance for the FTX group in its first fiscal year ending March 31, 2002, includes net sales of ¥26.0 billion, and net income of ¥500 million. For the fiscal year ending March 31, 2004, the FTX group projects net sales of ¥30.0 billion and net income of ¥1.0 billion.

### JAPAN

**SUNROCK INSURANCE BROKERS CO., LTD.**  
*Insurance broker and consultant*

**NISSHO IWAI INSURANCE AGENCY CORP.**  
*Insurance agency*

**NISSHO IWAI COMMODITIES CORP.**  
*Commodities & financial products trader*

**NISSHO IWAI FINANCIAL LINK CORP.**

*Financial business operation*

**NISSHO IWAI FUTURES INC.**  
*Futures commission merchant*

**NISSHO IWAI SECURITIES CO., LTD.**  
*Investment advisory business*

**NISSHO IWAI ASSET MANAGEMENT LTD.**  
*Asset management*

**HOUSE SOLUTION CORP.**  
*Warranty for housing*

### U.S.A.

**SUNROCK INSURANCE BROKERS (U.S.A.) INC.**  
*Insurance broker and consultant*

**TACT ASSET MANAGEMENT, INC.**  
*Private investment advisor*

### SINGAPORE

**UNIMAX INSURANCE PTE., LTD.**  
*Reinsurance underwriting*

### CHINA

**SUNROCK INTERNATIONAL CO., LTD.**  
*Insurance broker*

### U.K.

**NISSHO IWAI INTERNATIONAL FINANCE PLC.**  
*Financial services*

## ITX Corporation



**Shintaro Hirata**  
CEO

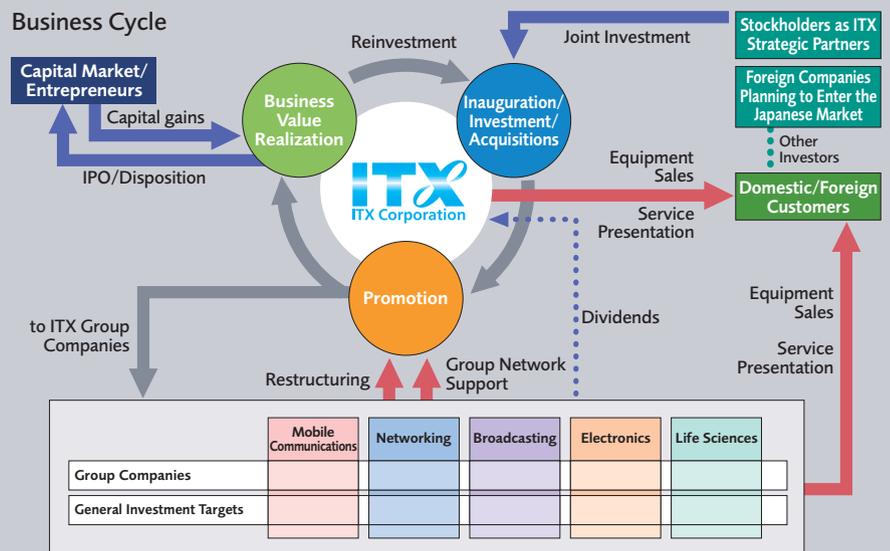
*"Creating New IT Business on a Global Scale  
ITX—the Market Accelerator."*

ITX Corporation was formed in April 2000 as a spin-off of Nissho Iwai's Information Business Division with the

aim of becoming a global-scale IT business creator. This was achieved through the capital participation of approximately 30 shareholder companies, including such strategically important shareholders as Nichimen Corp., Teijin Ltd., Funai Electric Co., Ltd., Olympus Optical Co., Ltd., and

The Sanwa Bank, Ltd. The company invested in over 40 IT businesses in its first year in operation.

ITX integrates the assets, networks and broad solution capabilities from ITX Group companies and those in which we have invested. The synergy thus generated enables us to pursue our



### MOBILE COMMUNICATIONS

**IT TELECOM, INC.**  
Mobile communication equipment sales

### NETWORKING

**NISSHO ELECTRONICS CORPORATION**  
Development, sales and maintenance of computer information processing systems

**ATLUX CORPORATION**  
Human resources management including new-graduate employment support services, aptitude testing and assessment, and personnel dispatching and introduction

**FUSION COMMUNICATIONS CORPORATION**  
Type 1 telecommunications carrier

**INFOCOM CORPORATION**  
Total information communication system integration services

**MARKANY JAPAN CORPORATION**  
Digital copyright protection

**MEDIA LIBRARY INC.**  
Sales of technological databases

**NIPPON OUTSOURCING CORPORATION**  
Payroll, personnel, administration and accounting

**NGC CORPORATION**  
Software and hardware sales

**PHOTOHIGHWAY JAPAN K.K.**  
Digital photo portal site

**PROMOTIONS CORPORATION**  
Website management of Chakkalina.com (<http://www.chakkalina.com>)

**RISKMONSTER.COM**  
Preliminary assessment services for B2B site management enterprises

**TECHMATRIX CORPORATION**  
Sales and maintenance of, and education and consultation for computer and network equipment

### OTHERS

### BROADCASTING

**DIDS CORPORATION**  
Marketing research and interactive content planning for BS/CS digital broadcasting, the internet and mobile phones

**FUN WAVE INC.**  
Broadcasting services

**JAPAN SPACELINK CORPORATION**  
Resale of satellite transponder

**JSAT CORPORATION**  
Telecommunications, telecom carrier and satellite broadcasting services

**SATELLITE NEWS CORPORATION**  
CS licenced broadcaster, providing BBC WORLD

cycle of business creation and maximize overall Group value. Concentrating on specific markets in five main spheres of business, 1) mobile communications, 2) networking, 3) broadcasting, 4) electronics and 5) life sciences. ITX strives to act as a “Market Accelerator” by acquiring and promoting group companies that have good potential for market development. In the future, ITX intends to provide major companies with broad-based planning services for business restructuring, and collaborate with ITX Group and other companies in establishing a restructuring business to generate increased value.

CABLE NETWORKS AKITA CO., LTD.  
 CABLENET SAITAMA CO., LTD.  
 HINO CABLE TELEVISION INC.  
 KITA CABLE NETWORK, INC.  
 TOSHIMA CABLE NETWORK CO., LTD.  
*Cable TV broadcasting*

**OTHERS**

**ELECTRONICS**

HITEC21 INC.  
*Sales of semiconductor manufacturing-related devices*

I.T. ELECTRONICS CORPORATION  
*Import/export and wholesale distribution of electronic components*

**NI-FUJIX CO., LTD.**  
*Sale of building materials and leasing of temporary construction materials*

**SUNROCK CHUBU CO., LTD.**  
*Business support services*

**NI LOGISTICS CORP.**  
*International and domestic transportation services*

**NIKKYO TRANSPORTATION AND WAREHOUSING CO., LTD.**  
*Transportation and warehousing*

**CYNOMIX CORP.**  
*eTrade support service*

**FUNABASHI REIZO CENTER CO., LTD.**  
*Warehousing*

**U.S.A.**

**FEDERATED CAPITAL CORP.**  
*Vendor leasing*

**N.I. LOGISTICS AMERICAN CORP.**  
*Global logistics including international and domestic transportation to third parties*

**SR FINANCIAL CORP.**  
*Asset-based leasing*

**SUNROCK RISK SERVICES CORP.**  
*Specialized insurance agent*

**AIRSHIP MANAGEMENT SERVICES, INC.**  
*Operation of aircraft*

**RICHARD LEWIS COMMUNICATIONS, INC.**  
*Public relations, advertising & marketing service agency*

**SPECIALTY GRAINS, INC.**  
*Production of special corn and soybeans for use in Japan*

**BERWICK STEEL COMPANY**  
*Steel service center*

**NIFAST CORP.**  
*Fastener sales*

**N.I. MOTORS U.S.A. INC**  
*Holding company of automobile dealers*

**WEATHERFORD MOTORS, INC**  
*Dealer of automobiles*

**AUTRANS CORP.**  
*Transportation and distribution of auto parts*

**GLQ ENTREPIA, INC.**  
*Investing*

**CANADA**

**INGERSOLL MONZEN INC.**  
*Warehouse service for autoparts*

**NIFAST CANADA CORP.**  
*Distributor of bolts, nuts and fasteners*

**GUATEMALA**

**PILONCITO VERDE S.A.**  
*Production of vegetable plugs*

**U.K.**

**NI TUBULARS (UK) LTD.**  
*Sale of pipes*

**AUTRANS EUROPE LTD.**  
*Automobile parts distribution*

**NORWAY**

**I O S TUBULAR MANAGEMENT AS**  
*Oil well pipe handling*

**THAILAND**

**TSR DEVELOPMENT CO., LTD.**  
*Real estate and trade*

**UNITED THAI LOGISTICS CO., LTD.**  
*Transport and warehousing*

**SINGAPORE**

**NISSHO IWAI CAPITAL ASIA PTE., LTD.**  
*Financial services*

**TAIWAN**

**TNS LOGISTICS CORP.**  
*Warehousing and logistics operations*

**CHINA**

**WANTONG INTERNATIONAL LOGISTICS CO., LTD.**  
*Warehousing and logistics*

## DIRECTORS AND AUDITORS

AS OF JUNE 27, 2001



(from left) Senior Managing Director **Shinpachi Hasegawa**, Senior Managing Director **Susumu Tsuchida**, Senior Managing Director **Kosaku Nakatani**, Executive Vice President **Takayuki Mabuchi**, President and CEO **Shiro Yasutake**, Executive Vice President **Masanobu Kondo**, Senior Managing Director **Tomoyoshi Kondo**, Senior Managing Director **Tokuichi Yamaguchi**, Managing Director **Ryuji Hori**

### PRESIDENT AND CEO

**SHIRO YASUTAKE**

### EXECUTIVE VICE PRESIDENTS

**TAKAYUKI MABUCHI** Machinery Company; Energy Company

**MASANOBU KONDO** General Accounting Dept.; Finance Dept.

### SENIOR MANAGING DIRECTORS

**KOSAKU NAKATANI** Nissho Iwai Business Strategy Center; Corporate Planning Dept.; Strategy Promotion Dept.; Bio Business Dept.; Human Resources & General Affairs Dept.; Public Relations Dept.

**TOMOYOSHI KONDO** Chemicals, Consumer & Forest Products Company; Construction & Urban Development Company

**SUSUMU TSUCHIDA** Internal Auditing Office; Risk Management Dept.; Legal Dept.

**TOKUICHI YAMAGUCHI** Investor Relations Office; IT Promotion Dept.; International Planning & Co-ordination Dept.; Group Planning & Co-ordination Dept.

**SHINPACHI HASEGAWA** Metals Company; e-Business Development Dept.

### MANAGING DIRECTOR

**RYUJI HORI** Kansai area; Assistant to Legal Dept.

### CORPORATE AUDITORS

**TOMA MASAOKA**

**HIROHIKO KITAZAWA**

**MASAJI SHINAGAWA**

**TOSHIJIRO NAKAJIMA**

## EXECUTIVE OFFICERS

AS OF JUNE 27, 2001

### SENIOR MANAGING EXECUTIVE OFFICERS

|                            |   |
|----------------------------|---|
| <b>HIDETOSHI NISHIMURA</b> | President of Nissho Iwai American Corporation and Nissho Iwai Canada Ltd. |
| <b>TAKAHARU TANABE</b>     | President of Energy Company   |
| <b>MASASHI MIZUTANI</b>    | President of Metals Company   |

### MANAGING EXECUTIVE OFFICERS

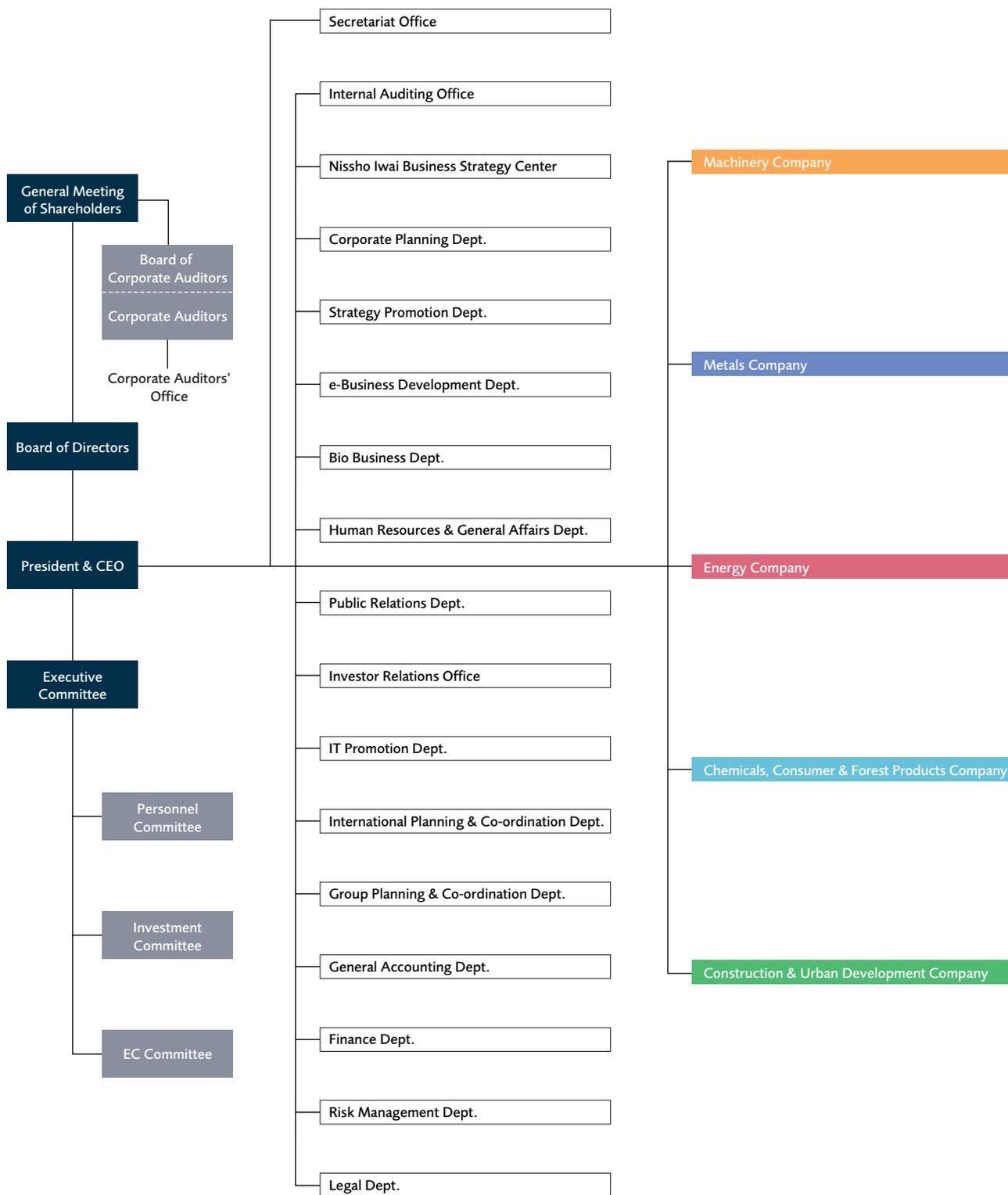
|                        |   |
|------------------------|---|
| <b>KUNIO YOSHIZAWA</b> | General Manager, Nagoya Branch  |
| <b>KUNIHIDE IZUMI</b>  | President of Machinery Company  |
| <b>SEKIO HARA</b>      | General Manager for China   |
| <b>TERUO MATSUMURA</b> | President of Chemicals, Consumer & Forest Products Company  |
| <b>AKITOSHI UENO</b>   | President of Construction & Urban Development Company   |
| <b>KAZUO SEKIKAWA</b>  | General Manager for Europe and Africa; President of Nissho Iwai Europe Plc.; Nissho Iwai France S.A., Nissho Iwai Italia S.P.A. and Nissho Iwai Iberia S.A. |

### EXECUTIVE OFFICERS

|                          |  |
|--------------------------|--|
| <b>HIROYUKI TANABE</b>   | Senior Vice President of Metals Company  |
| <b>KATSUTOSHI MATSUI</b> | Assistant to International Planning & Co-ordination Dept. and Group Planning & Co-ordination Dept.     |
| <b>EISUKE TAKAKUWA</b>   | General Manager, Risk Management Dept.   |
| <b>HIROSHI KANEMATSU</b> | General Manager for South-East Asia; President of P.T. Nissho Iwai International Indonesia             |
| <b>KATSUHIKO MASADA</b>  | Assistant to Finance Dept.   |
| <b>KENICHI MINAMI</b>    | General Manager, Corporate Planning Dept.  |
| <b>SUSUMU KOMORI</b>     | Senior Vice President of Metals Company  |
| <b>YOSHIOMI YUASA</b>    | Senior Vice President of Metals Company  |
| <b>KEIJIRO HORI</b>      | General Manager, General Accounting Dept.  |
| <b>EIGORO KUNIYOSHI</b>  | General Manager for the Greater Mekong Subregion; President of Nissho Iwai (Thailand) Ltd. Partnership |
| <b>KENICHI YONEZAWA</b>  | Senior Vice President of Energy Company  |
| <b>YUTAKA KASE</b>       | Nissho Iwai American Corporation; Group Executive for Housing Materials & General Merchandise Group    |
| <b>SATOSHI NAGAKUBO</b>  | General Manager, Human Resources & General Affairs Dept.   |
| <b>KAZUNORI TERAOKA</b>  | Senior Vice President of Machinery Company   |

# CORPORATE ORGANIZATION

AS OF JULY 1, 2001



## SHAREHOLDERS' GUIDE

The ownership and distribution of shares as of March 31, 2001, was as follows:

|                                      | Number of shares owned (thousands) | Percentage of total shares outstanding |
|--------------------------------------|------------------------------------|--|
| Government and municipal corporation | 0                                  | 0.00%                                  |
| Financial institutions               | 347,472                            | 39.74                                  |
| Corporations                         | 140,486                            | 16.07                                  |
| Individuals and others               | 324,800                            | 37.14                                  |
| Securities companies                 | 28,499                             | 3.26                                   |
| Foreign corporations and individuals | 33,177                             | 3.79                                   |
| <b>Total</b>                         | <b>874,434</b>                     | <b>100.00%</b>                         |

|   |  |
|---|--|
| Business term ends:                       | March 31   |
| General meeting of shareholders held:     | June   |
| Newspaper in which public notice is made: | <i>The Nihon Keizai Shimbun</i>  |
| Share transfer agents:                    | The Toyo Trust & Banking Co., Ltd.<br>4-3, Marunouchi 1-chome,<br>Chiyoda-ku, Tokyo                              |
| Agents' offices:                          | Head offices and branch offices of<br>the Toyo Trust & Banking Co., Ltd.,<br>and the Nomura Securities Co., Ltd. |

### Common Stock Price Range

|                  | (Tokyo Stock Exchange) |     |                                      |
|------------------|------------------------|-----|--------------------------------------|
|                  | High                   | Low | Trading volume (thousands of shares) |
| <b>1999</b>      |                        |     |                                      |
| January–March    | 120                    | 76  | 182,996                              |
| April–June       | 156                    | 96  | 226,175                              |
| July–September   | 125                    | 95  | 80,064                               |
| October–December | 107                    | 80  | 76,754                               |
| <b>2000</b>      |                        |     |                                      |
| January–March    | 130                    | 68  | 153,406                              |
| April–June       | 120                    | 80  | 110,255                              |
| July–September   | 130                    | 101 | 129,951                              |
| October–December | 172                    | 88  | 466,120                              |
| <b>2001</b>      |                        |     |                                      |
| January–March    | 129                    | 95  | 195,099                              |
| April–June       | 226                    | 123 | 930,686                              |

Note: During the year 1999, the high and low prices were based on closing prices.  
From the year 2000, the high and low prices include intraday trading results.

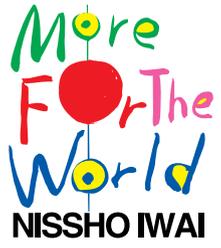
### Corporate Data

| (As of July 1, 2001) |   |
|----------------------|---|
| Established:         | February 8, 1928  |
| Headquarters:        | Tokyo: 3-1, Daiba 2-chome,<br>Minato-ku, Tokyo 135-8655<br>Tel. (03) 5520-5000<br>Osaka: 5-8, Imabashi 2-chome,<br>Chuo-ku, Osaka 541-8558<br>Tel. (06) 6209-2111 |
| Number of employees: | Japanese: 2,612<br>Foreign nationals: 1,951*  |
| Number of offices:   | Domestic: 32<br>Overseas: 134   |

\*Foreign Nationals figure only is as of March 31, 2001.

Additional copies of this annual report and other publications are available upon request from the Public Relations Dept., Nissho Iwai Corporation, 3-1, Daiba 2-chome, Minato-ku, Tokyo 135-8655, Japan  
Tel: (03) 5520-2400  
Home page: <http://www.nisshoiwai.co.jp/>

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