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**Notice with regard to 'Medium-Term Management Plan 2005'**

Nissho Iwai Corporation today announced a new 'Medium-Term Management Plan 2005' for the 3-year period starting from April 2002 to March 2005.

Until March 2002, Nissho Iwai will continue to execute the 'Medium-Term Management Plan 2002', which has the fundamental policies to 'improve financial position' and 'reform earning structure', and is likely to result in achieving targets.

Nissho Iwai, in recognizing environmental changes and turbulent times, formulated the 'Medium-Term Management Plan 2005' in order to further promote the reform the Company has been implementing.

The Medium-Term Management Plan 2005 is outlined as follows. Please refer to the attached for further information.

### **<Positioning of 'Medium-Term Management Plan 2005'>**

Medium-Term Management Plan 2005 is positioned as a phase during which the Company will transform its structure and reinforce its financial position, optimize its business/asset portfolio, and create a new group organization model, as survival strategies for turbulent times.

### **<Fundamental Policy>**

- (1) Maximize Profitability (for survival in this age of mega-competition)
- (2) Implement Structural Reforms (for long-lasting growth and vitality)
- (3) Reinforce Financial Strength (to rebuild investor confidence and strengthen ability to raise capital)

### **<Numerical Targets>**

#### **(1) Financial Strength:**

Net D/E Ratio

Consolidated: Less than 7 (March 2002 (est.) : 15)

Non-consolidated: Less than 4 (March 2002 (est.) : 5)

#### **(2) Profitability**

Net Profit

Consolidated: ¥22.5 billion (calculated EPS: Above ¥25)

Non-consolidated: ¥8 billion

#### **(3) Performance Metrics**

Consolidated ROA: More than 1% (Long-term target: 1.5%)

Consolidated ROE: Around 14% (Long-term target: 15%)

### **<Future Directions>**

Nissho Iwai group has comprehensive capabilities in all markets, comprising of a head quarters specializing in particular fields, and excellent subsidiaries and affiliates in various industries, and aims to be the most powerful company group creating new values all the time.

## Medium-term Management Plan (2002-2004)

Nissho Iwai Corporation  
January 2002



## Corporate Philosophy

### 'Creation of *Tradepia*'

Creation of value through various business transactions, realizing  
"Utopia through Trade" so as to ensure '*More For The World*', i.e.  
affluence for every member of the global community.

### 'Respect for the Individual'

Respect individual creativity and provide an environment in which each  
individual's productive faculties can  
reach their full potential



## Progress on 'Medium-term Management Plan-2002'

~ As of Sept. 2001 (2.5 year period) ~

	3-Yr target (Mar.2002) 99/3 → 02/3	After 2.5 Years (Sept.2001)
<b>Improve Financial Position</b>		
➤ Streamline total assets	Δ ¥1.2 trillion	Δ ¥ 1.35 trillion (112%)
➤ Reduction of interest-bearing debt	Δ ¥1.2 trillion	Δ ¥ 970 billion (81%)
➤ Net D/E ratio	Less Than 9.0	10.6 (Based on former standard) 20.8 (Based on current standard)
<b>Reform Earnings Structure</b>		
➤ Gross profit margin	3.15% → 3.75%	4.92%
➤ Operating profit margin	0.52% → 0.95%	0.99%
➤ Workforce reduction (non-consolidated)	Δ 1,000	Δ 1,649
<b>Strengthen Group Management</b>		
➤ Establishment of Exit Rules	• In the red for 3 continuous terms • Accumulated loss exceeds 2/3 of capital value	In effect since Oct. 1998
➤ Restructure group companies	Δ 200 companies	Δ 188 companies
➤ Profitable-Unprofitable co. ratio	63.4% → 85%	67.7%

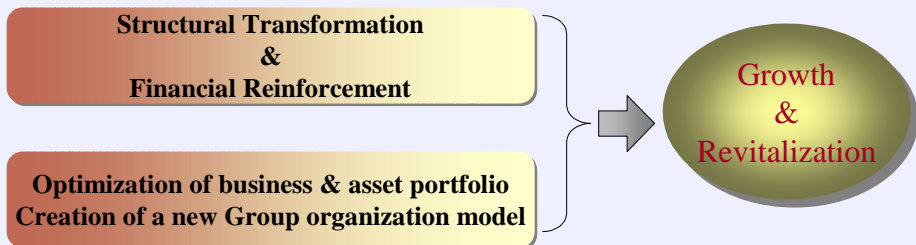
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## Positioning of Medium-term Management Plan 2005

### Survival strategy in this age of turbulent change

- Group management strategy to survive and grow amidst the continuing harsh business environment
- In order to accomplish the targets set out in this new medium-term management plan, implementation has already commenced in the second-half of fiscal 2001.



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## Medium-term Management Plan 2005 Numerical Targets

### Financial Strength

Net D/E Ratio	Consolidated	: Less than 7 (Mar.2002 (est.) : 15)
	Non-consolidated	: Less than 4 (Mar. 2002 (est.) : 5)

### Profitability

Net Profit	Consolidated:	¥ 22.5 billion (calculated EPS: Above ¥25)
	Non-consolidated:	¥8 billion

### Performance Metrics

Consolidated ROA	More than 1% (Long-term target: 1.5%)
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## Fundamental Policy

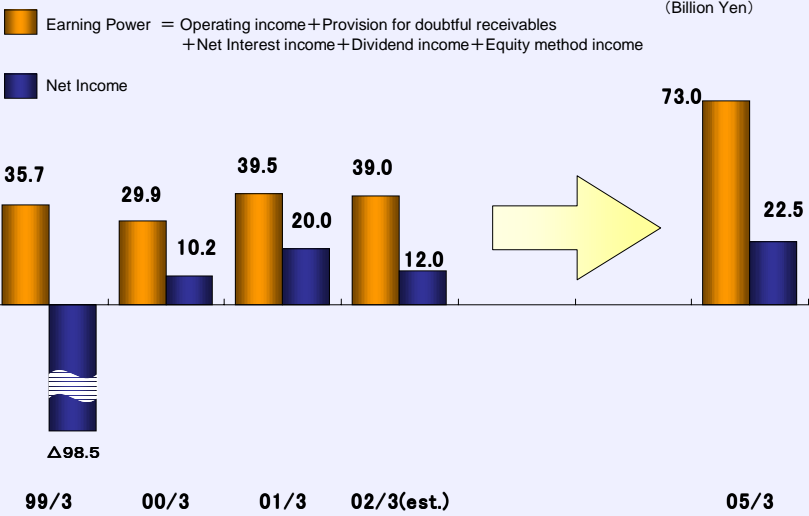
- Maximize profitability  
(For survival in this age of mega-competition)
- Implement structural reforms  
(For long-lasting growth and vitality)
- Reinforce financial strength  
(To rebuild investor confidence and strengthen ability to raise capital)

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# Maximize Profitability—①

~Earning Power and Net Income~



# Maximize Profitability—②

~Composition of Earning Power~

(Billion Yen)	99/3	00/3	01/3	02/3(est.)	05/3	Change w.r.t Mar.2002
<b>Earning Power</b>	35.7	29.9	39.5	39.0	73.0	(+34.0)
<b>Operating Income</b>	45.0	49.1	62.3	56.0	80.0	(+24.0)
Provision for doubtful receivables	11.3	9.5	5.9	4.5	2.0	(-2.5)
Net Interest Cost	22.3	31.5	28.1	26.0	21.0	(+5.0)
Dividend Income	5.3	4.8	5.9	6.0	2.5	(-3.5)
Equity method Income	3.6	2.0	6.5	1.5	9.5	(+11.0)

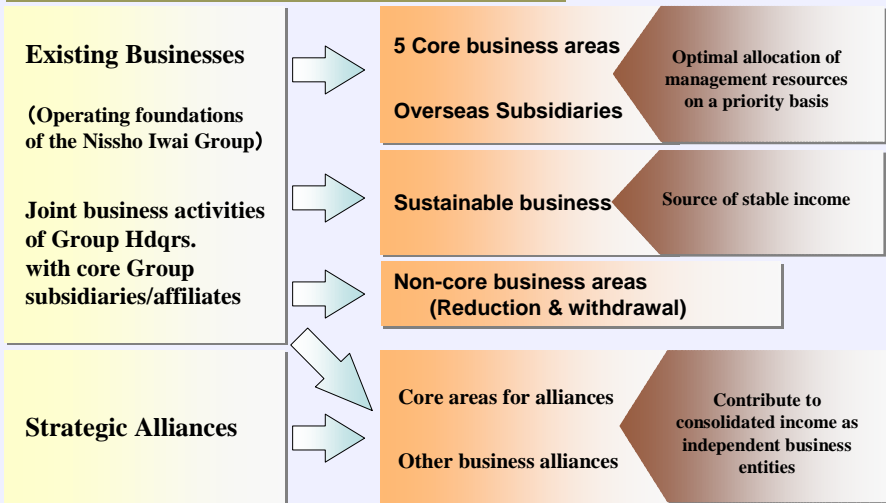
**Operating Income:**  
Improved profitability at 5 core business fields, Information Industry(ITX Co.) and overseas subsidiaries, etc.

**Equity method income:**  
Increased profitability of joint ventures, such as the steel products company, etc.



# Maximize Profitability— ③

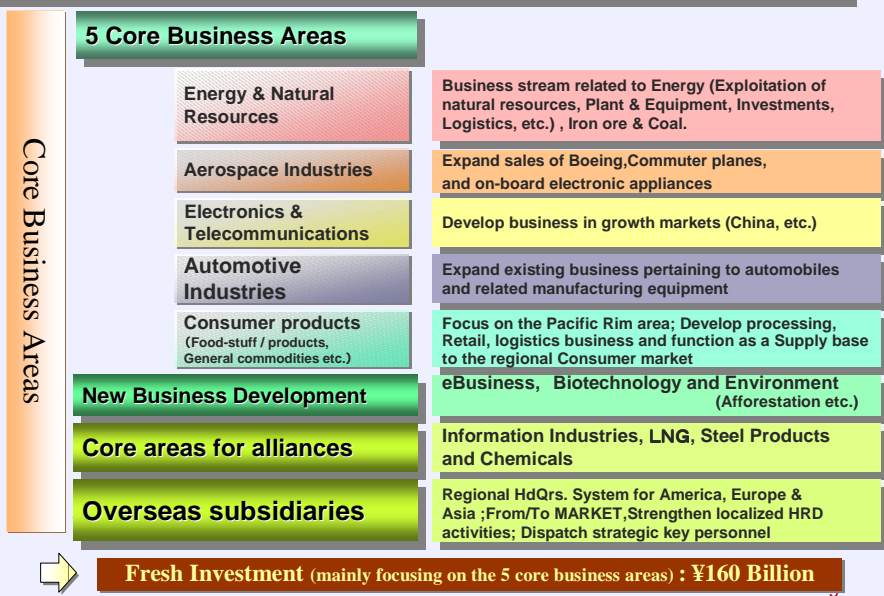
## Further focus on core businesses



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# Maximize Profitability— ④





# Maximize Profitability— ⑤

~Transformation of Earning Power~

Earning Power / (Total Assets) : Billion Yen

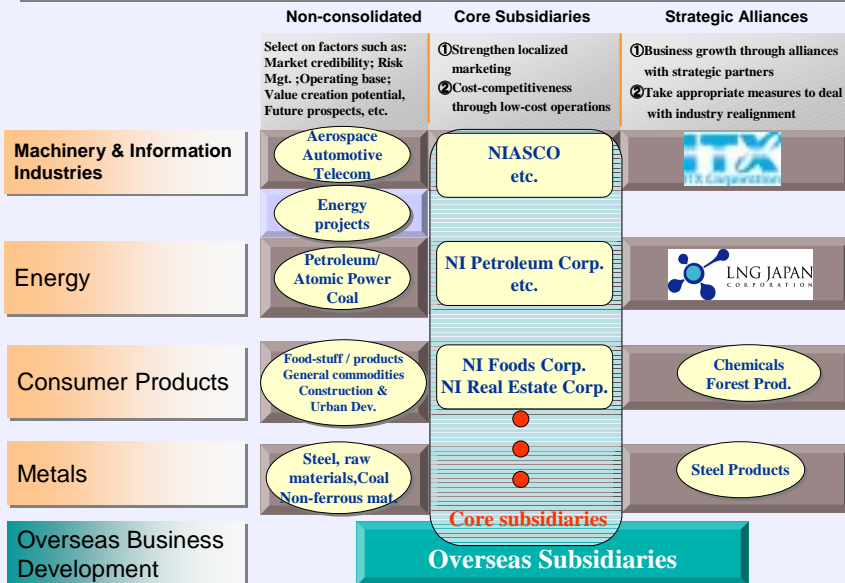
	Mar. 2002 (Est.) *	Mar. 2005
Energy & Natural Resources	3.0 / (250.0)	6.0 / (295.0)
Aerospace Industries	3.5 / (110.0)	4.5 / (85.0)
Electronics & Telecommunications	1.5 / (30.0)	2.0 / (35.0)
Automotive Industries	4.0 / (65.0)	4.0 / (60.0)
Consumer Products	2.0 / (85.0)	5.0 / (115.0)
New Business Development		α / (10.0)
<b>Core areas for alliance</b>	<b>14.5 / (245.0)</b>	<b>39.0 / (310.0)</b>
<b>Overseas subsidiaries</b>	<b>4.5 / (840.0)</b>	<b>11.0 / (620.0)</b>
<b>(Core business areas)</b>	<b>(33.0) / &lt;1,625.0&gt;</b>	<b>(71.5) / &lt;1,530.0&gt;</b>
<b>Ratio of Core Businesses in Portfolio</b>	<b>85% / (49%)</b>	<b>98% / (75%)</b>

\*Total Assets: As of Sept.2001



# Maximize Profitability— ⑥

~Optimization of the Group Business Portfolio~







## Implement Structural Reforms—①

### Reforming the cost structure

(Improve Cost Competitiveness)

- Workforce rationalization

By March 2005

Nissho Iwai Group(consolidated) 14,000  
(Δ5,000 as compared to Mar.2002\*)

Corp. HdQrs.(non-consolidated) 1,900  
( Δ700 as compared to Mar.2002 )

\* Includes workforce reduction owing to the reorganization of the business portfolio

- Thorough overhaul of salary/remuneration structure (including remuneration of Board Members and at subsidiary companies), and reduction of other SG & A Expenses

- Reformation of the Employee Pension and Retirement Benefits System

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## Implement Structural Reforms— ②

### Reformation of Group Management

(Strengthening Group Management)

#### ①Management Reform

Thorough overhaul of all systems to optimize group management

#### ②Reorganizing Administrative Functions

- Carry-out strategic spin-offs and mergers, and set-up *Nissho Iwai Professional Services Corp.* a Shared Service Company (SSC)
- Select and focus on core administrative functions, and implement administrative reforms (Promote income-generation by providing services in the open market through increased efficiency and improved quality of service)

#### ③Reform Consolidated Management

- Further reduction of group companies through liquidation/consolidation (Decrease total number by 200 companies) thus strengthening consolidated earning power.
- Strengthen group management (Risk management, Set-up Group Board, Group monitoring mechanism )

#### ④Reformation of Group HRD System

Promote cultivation of talents & free movement of personnel between group companies



# Implement Structural Reforms— ③

~Cost Reduction Measures~

(Billion Yen)	99/3	00/3	01/3	02/3(Est.)	05/3	Decrease /Increase w.r.t Mar.2002
<b>Total SG&amp;A Expenses</b>	<b>227.9</b>	<b>218.6</b>	<b>225.4</b>	<b>213.0</b>	<b>171.0</b>	<b>(Δ42.0)</b>
Personnel expenses	117.8	112.1	117.9	110.0	87.0	Δ 23.0
Non-personnel exp.	90.2	84.4	89.2	82.0	67.0	Δ 15.0
Depreciation	7.5	9.7	8.4	10.5		
Provision for doubtful receivables	11.3	9.5	5.9	4.5		
Amortization of adjustments pertaining to investments in subsidiaries/affiliates	1.1	2.9	4.0	6.0	17.0	Δ 4.0
<b>Gross Profit</b>	<b>272.9</b>	<b>267.7</b>	<b>287.7</b>	<b>269.0</b>	<b>251.0</b>	<b>(Δ18.0)</b>
<b>CCR</b>	<b>79.4%</b>	<b>78.1%</b>	<b>76.3%</b>	<b>77.5%</b>	<b>67.3%</b>	<b>Δ10.2%</b>

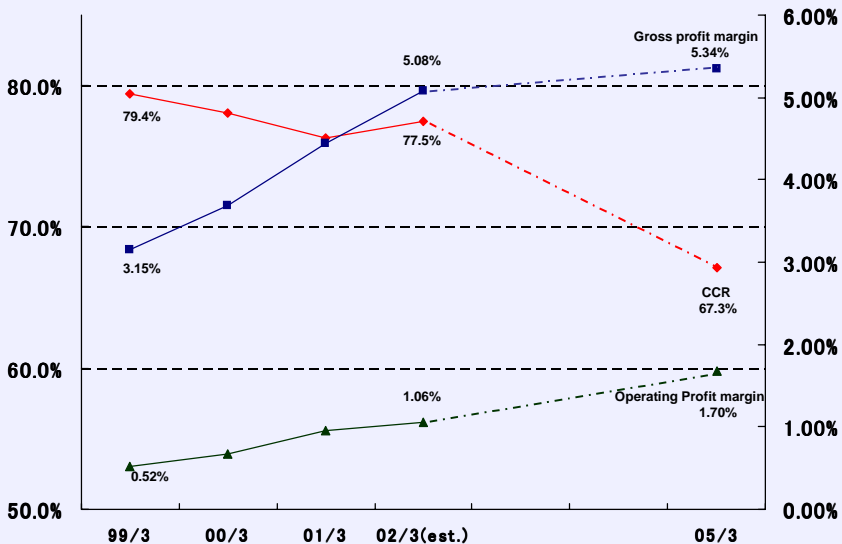
※CCR (Cost Coverage Ratio) = Operating expenses / Gross trading profit

(Operating expenses = SG&A expenses - Provision for doubtful receivables & special pension/retirement benefits)

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## Profit Ratio and CCR



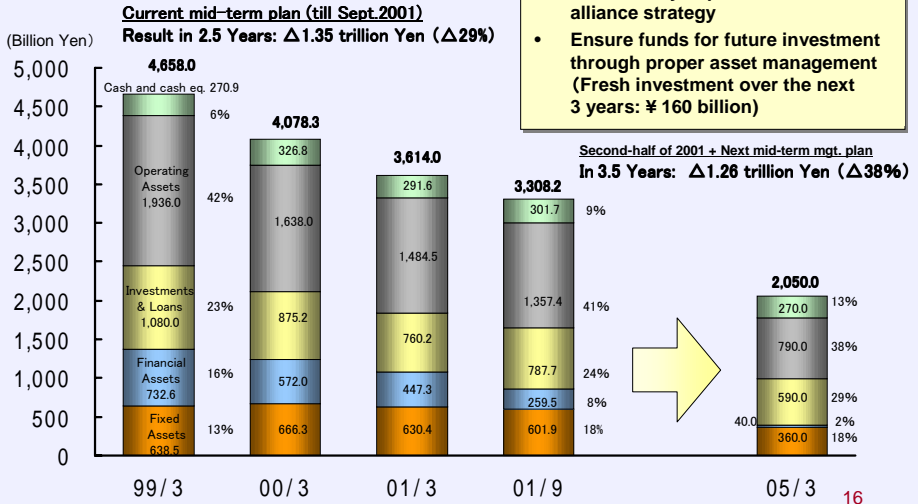
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# Reinforce Financial Strength - ①

~Category-wise asset reduction~

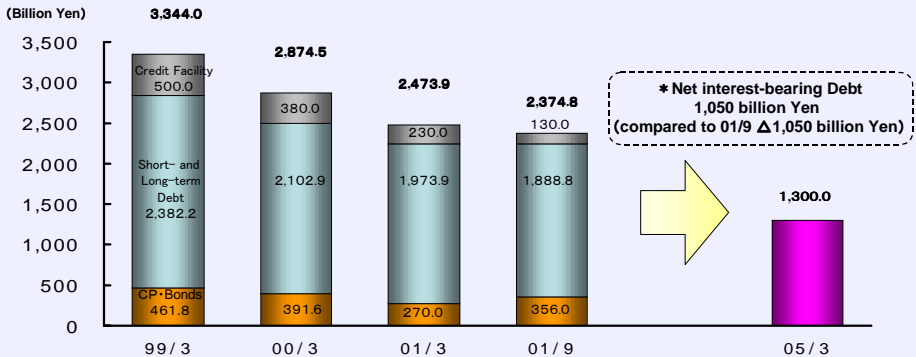
- Reduce non-core assets, such as fixed assets, financial assets, etc.
- Decrease by implementation of alliance strategy
- Ensure funds for future investment through proper asset management (Fresh investment over the next 3 years: ¥ 160 billion)



# Reinforce Financial Strength - ②

~To Rebuild Investor Confidence & Strengthen ability to raise capital~

- **Reduction of interest-bearing debt**
  - Reduce ¥1.075 trillion over the next 3.5 years (01/9 to 05/3) (Δ45% compared to Sept. 2001, Δ61% compared to Mar. 1999)
- **Net D/E ratio Less than 7 (Consolidated base)**





March 2005

Balance Sheet/Income Statement (Billion Yen)

<b>Total Assets</b>	<b>2,050.0</b>
<b>Interest-bearing Debt</b>	<b>1,300.0</b>
<b>Other Liabilities</b>	<b>590.0</b>
<b>Shareholders' Equity</b>	<b>160.0</b>

<b>Net Sales</b>	<b>4,700.0</b>
<b>Gross Trading Profit</b>	<b>251.0</b>
<b>(Gross Profit Margin)</b>	<b>5.34%</b>
<b>SG &amp; A Expenses</b>	<b>△171.0</b>
<b>Operating Income</b>	<b>80.0</b>
<b>(Operating profit margin)</b>	<b>1.70%</b>
<b>Net Income</b>	<b>22.5</b>