

Establishment of a Joint Holding Company

January, 2003

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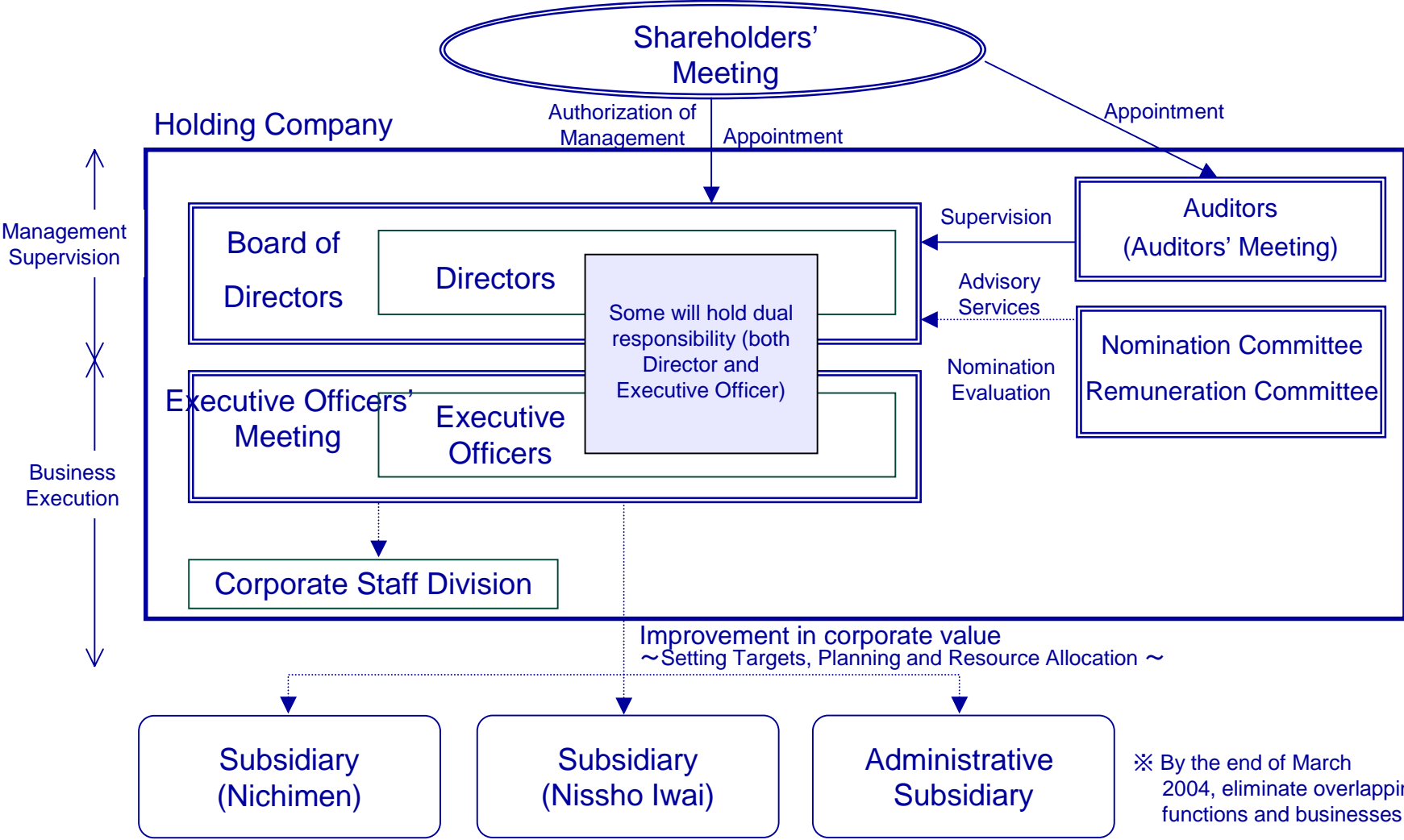
(Appendix) Schedule

I. Management Vision / Corporate Governance

Management Vision

- ◆ Establish a multi-faceted business, which has both top-tier competitiveness and strong earning power in specific industries and markets, by continuously pursuing profitability and growth in core business areas.
- ◆ Establish an innovative trading company, to actively respond to environmental changes and market globalization, and continuously develop new business fields through entrepreneurship.
- ◆ Establish a functional trading company, to understand multiple customer needs and provide sophisticated, tailor-made services as a customer's business partner.
- ◆ Establish an open company, where each employee is given a chance to realize his or her own personal goals / ambitions.

Governance Structure (At the time of establishment)



Functions & Structure

◆ Functions of the Holding Company

- Optimize effects of the business integration through planning, operating and administrating the entire Group, define each subsidiary's authority and responsibility, and provide overall Group governance.
- Devise and execute Group restructuring strategies in order to spur profit growth and achieve the integration effects in a timely manner utilizing management resources.

◆ Structure of the Holding Company

- Invite outside directors to the corporate board at the Shareholders' Meeting after the establishment of the Holding Company in order to create a transparent and accountable corporate governance system.
- Establish a Nomination Committee and a Remuneration Committee, each chaired by an outside director.
- Introduce an Executive Officer system, and separate the functions of Directors and Executive Officers, with the Board of Directors overseeing management and the Executive Officers' Meeting in charge of business execution.
- The Executive Officers' Meeting will be entitled to exercise strong leadership as the chief decision-making organization for business execution.
- In order to reflect management's decisions promptly, the Executive Officers' Meeting comprises Executive Officers who also serve as Directors and Executive Officers controlling all the sales divisions of the Holding Company's subsidiaries (Nichimen, Nissho Iwai).

II. Fundamental Policy

Fundamental Policy

◆ Fundamental Policy

– Improvement in Profitability

• Rationalization

~ Rationalization should contribute to stable recurring profit in excess of 100 billion yen in FY2005 and thereafter.

• Maximization of Synergies

~ Effective combination of product groups and business functions will maximize synergies.

– Reinforcement of Financial Strength

• Strengthening of Shareholders' Equity

~ Retain earnings through improvement in profitability

• Immediate improvement in Financial Strength

~ Equity financing in excess of 200 billion yen will be conducted soon after the establishment of the Holding Company



Financial Target in Year 3 (March,2006) :

Net interest-bearing debt Below 2 trillion yen

Net DER (Net interest-bearing debt / Equity) 5 or less

• Net interest-bearing debt = Gross interest-bearing debt (Both Long and Short term borrowings + Bond + CB + CP) – Cash and cash equivalents

◆ Term

– April, 2003 ~ March, 2006 (3 Year Plan)

◆ Implementation

– Bold and efficient restructuring

• From Year 1 (FY2003), all the required restructuring measures will be implemented

~ Expect net loss in Year 1 owing to the restructuring costs

• After Year 2, Expect a significant rise in profitability through restructuring and synergies

Equity Financing (Increase in shareholders' equity)

◆ Objective

- Immediate revitalization of financial strength through equity financing
- Immediate improvement in creditworthiness through further reduction of interest-bearing debt
- ⇒ Immediate improvement of DER (Debt to Equity ratio)

◆ Timing

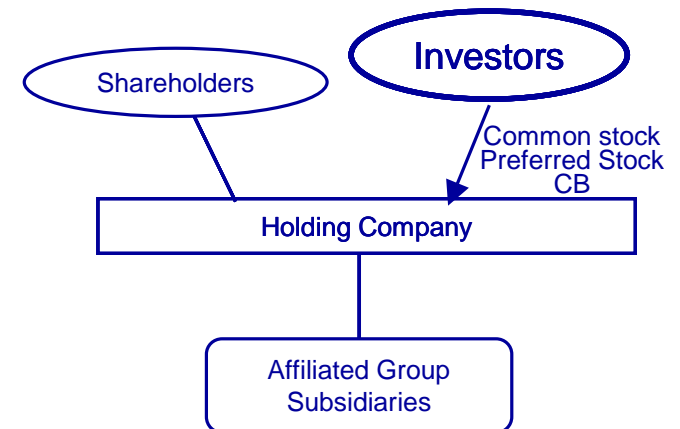
- Soon after the establishment of the Holding Company

◆ Size and Type

- Large scale Equity financing
 - Size: Over 200 billion yen
 - Type: Common Stock, Preferred Stock
(In addition, convertible bond is considered)

◆ Target Investors

- Stock allocation to third parties
- A wide variety of investors both domestic and overseas
 - Common Stock ~ Business Partners
 - Preferred Stock, Convertible Bond ~ Financial Institutions



III. 3 Year plan: Financial Summary

Financial Summary

(In billions of Yen)	Business Plan			(reference) Nissho Iwai / Nichimen Combined forecast
	FY2003	FY2004	FY2005	FY2002
Net Sales	5,770	6,100	6,260	6,520.0
Gross trading profit	287	285	293	340.0
SG&A expenses	215	175	169	281.5
Operating profit	72	110	124	58.5
Recurring profit	48	85	101	31.0
Extraordinary profit/loss-net	-60	-10	-7	-105.0
Net income/loss	-29	50	70	-111.0
ROA	-	1.6%	2.3%	-
ROE	-	19.6%	22.2%	-
Cash on hand and in banks	310	310	310	230.0
Operating assets	1,200	1,200	1,220	1,330.0
Investments and loans	890	850	880	860.0
Fixed assets	740	680	660	800.0
Total assets	3,140	3,040	3,070	3,220.0
Operating liabilities	655	660	660	766.0
Interest-bearing debt	2,255	2,100	2,060	2,395.0
Total liabilities	2,910	2,760	2,720	3,161.0
Shareholders' equity	230	280	350	59.0
Total of liabilities and shareholders' equity	3,140	3,040	3,070	3,220.0
Net interest-bearing debt	1,945	1,790	1,750	2,165.0
Net DER (Multiple)	8.5	6.4	5.0	36.7

*** On January 29, 2003
Earning forecast for FY
2002 was revised**

— In order to realize the effect of business integration at an early stage, we plan to conduct strict asset assessment in FY2002.

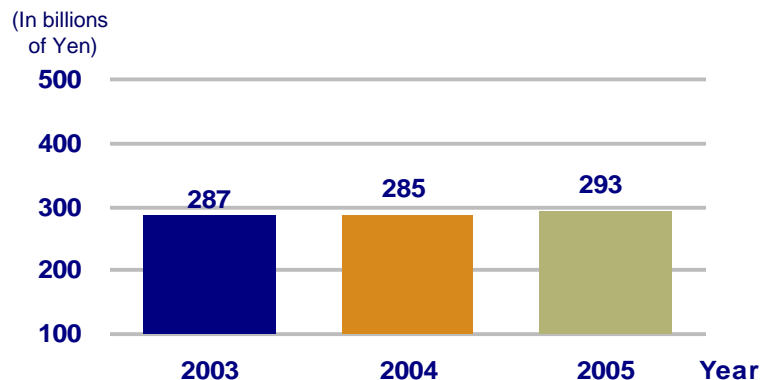
— In the combined forecast for FY2002, earning forecasts of certain subsidiaries to be newly consolidated under the Holding Company are included.

Improvement in Profitability

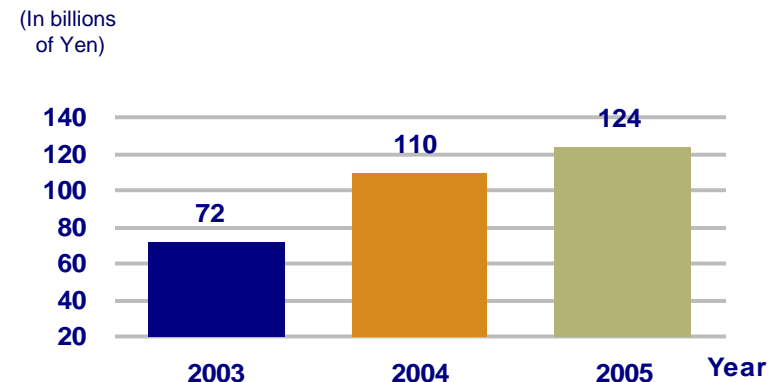
III. 3 year plan: Financial Summary

In FY2005 and thereafter, integration / rationalization effects should contribute to stable recurring profit in excess of 100 billion yen

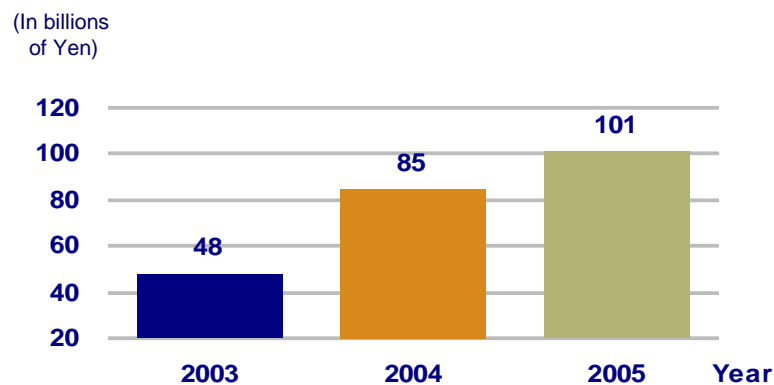
Gross trading profit¹(Projection)



Operating profit¹(Projection)



Recurring profit¹(Projection)



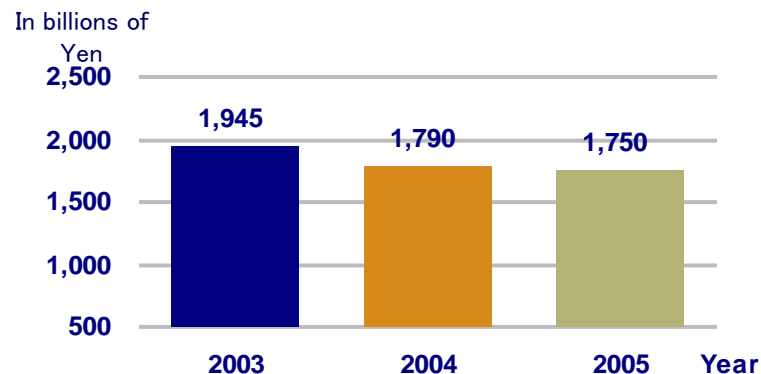
1. The data includes the effects of rationalization from business integration, but does not include synergetic effects (increase in sales, improvements in profitability)

Improvement in Leverage

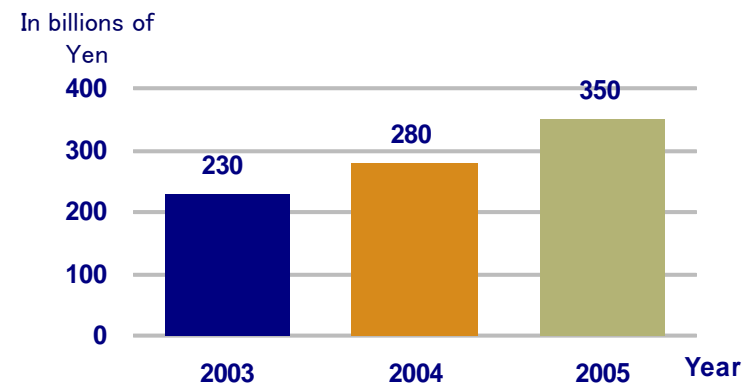
In Year 3 net interest-bearing debt will be less than 2 trillion yen, with Net DER being 5 or less

⇒ Immediate improvement in creditworthiness

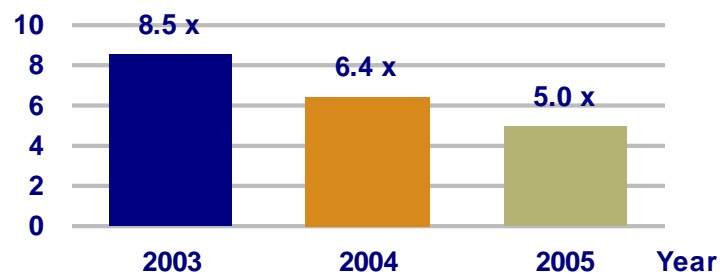
Net interest-bearing debt¹(Projection)



Shareholders' equity¹(Projection)



Net DER¹(Projection)



1. The data includes the effects of rationalization, from business integration but does not include synergetic effects (increase in sales, improvements in profitability)

IV. Effects of Business Integration

Summary of Business Integration Effects

- ◆ Complementary Effect ⇒ “Maintaining and Stabilizing Profitability”
 - Little overlap in business areas and customers will enable the two companies to maintain respective profitability even after the integration.
 - The strength of the business segments of the two companies complement each other. This shall lead to an optimal business portfolio after integration, further stabilizing combined profitability.

- ◆ Rationalization Effect ⇒ “Significant Reduction in Selling, General and Administrative Expenses (SG&A)”
 - Reduction in SG&A by approximately 110 billion yen by the end of FY2005 through elimination of overlapping subsidiaries, and domestic and overseas networks, rationalizing administrative organizations and restructuring businesses, with the aim of improving profitability

- ◆ Synergetic Effect ⇒ “Boost in Profitability through the Creation of Innovative Trading Businesses”
 - Combine the upstream strengths of Nissho Iwai with the downstream strengths of Nichimen to enable an optimal utilization of the mutual customer channels and product groups, creating a thorough supply and distribution system. Also, identify customer needs and create innovative trading businesses by integrating and harmonizing business functions.
 - Build-up new businesses and pursue synergetic effects by leveraging competitively strong business segments and collaborating in such segments.

Complementary Effect①

Market share of core businesses will go up after integration

IV. Effects of Business Integration

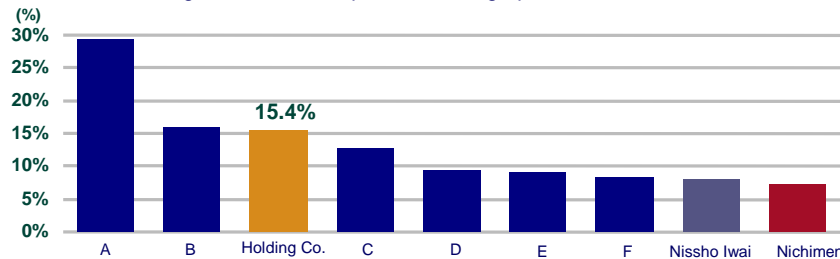
[Consolidated Gross Trading Profit for the FY2001 ended March 31, 2002 (combined results)]

Chemical & Plastics

In the Chemicals field, a joint company ('Global Chemical Holdings, Inc.')

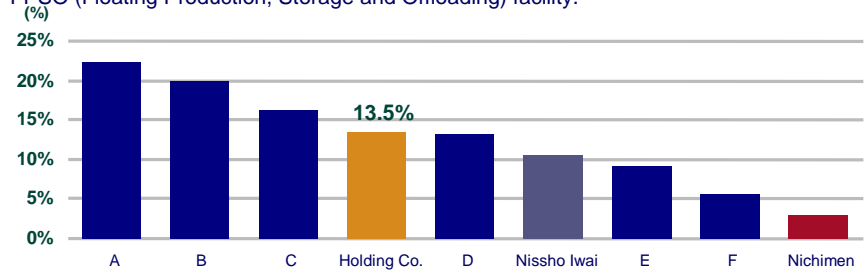
In the near future, we will aim at integration of functions, from upstream to downstream to strengthen its competitiveness. We are already in the top class in import of Industrial Salt. In the Plastics field, a joint company ('Pla-Net Holdings, Inc.')

has already been set up. With the purchase of Chori's plastic businesses already completed, we will accelerate integration of product group and functions. As for PP resin, the company will be a top-tier player in the industry. We will also have formidable strength in Plastic compounds and high-performance film.



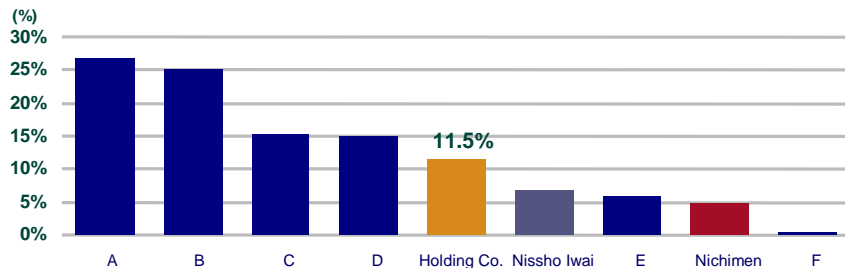
Machinery

Owing to the business integration, precision and industrial machinery businesses will be further strengthened. In automobile field, a highly integrated business stream will be realized, ranging from dealing in manufacturing equipment (including engineering work) to overseas production and marketing. We will have an outstanding market share in the domestic private aerospace industry as the import agent for major North American aircraft makers. We also retain the top-tier in the offshore oil field development projects such as FPSO (Floating Production, Storage and Offloading) facility.



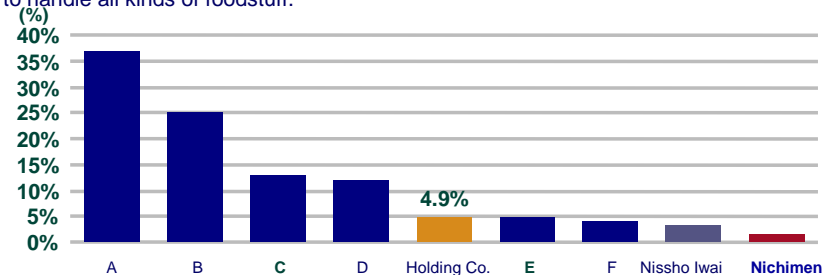
Energy

Nissho Iwai and Nichimen's petroleum and carbon businesses were integrated in FY2001 and the integration effects were already seen. Nuclear fuel cycle business is a stable profit source as we are the import agent for a major European group.



Foodstuffs

As both Nissho Iwai and Nichimen have large market shares in import of agricultural/food products such as rice, wheat, sugar etc. as well as in overseas trading, this field will be a stable profit-making source. We also lead the industry in some marine products. We are also capable to offer high value-added SCM functions, to convenience stores and restaurant chains. 'Three-temperature (dry, chilled, frozen)' distribution system enables us to handle all kinds of foodstuff.



(Source) Based upon financial information for FY2001 by each general trading firm, and Brains Trust's "2002 Major Trading Firms Business Statistic Comparison"

(Note) The above product segments are those which are usually used for industry comparison, and are different from the business segmentation the new holding company will utilize

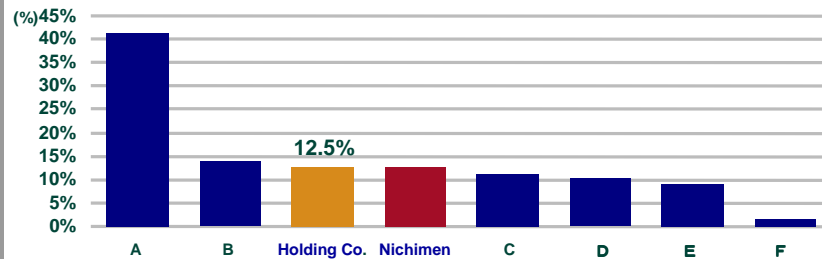
Complementary Effect②

Market share of core businesses will go up after integration

[Consolidated Gross Trading Profit for FY2001 ended March 31, 2002 (combined results)]

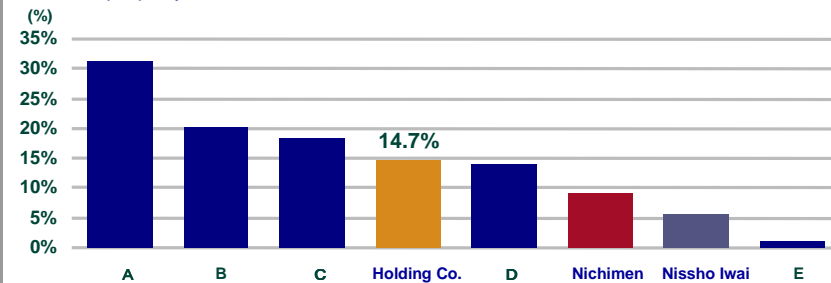
Textiles

Strong in manufacturing, importing and marketing of casual clothing for SPA and GMS, and planning/marketing of household products. Also strong in raw product trading business, which includes yarn, feather, etc., and import business, which includes cotton. Owing to strengthened production capability through the partnership with Li & Fung Ltd., we plan to expand our businesses of apparel and textile products in both domestic and foreign markets.



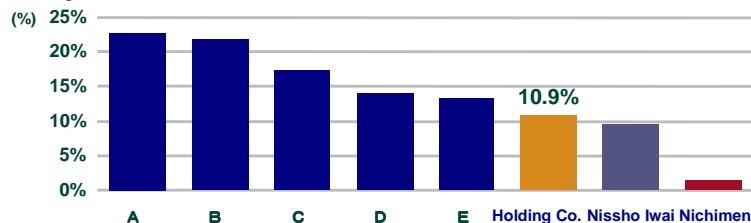
Construction

Nissho Iwai and Nichimen have already been utilizing joint-holding real estate subsidiaries. The integration will make, condominium business attain top spot in the industry, and strengthen full condominium service, including development, marketing, management and after sales service etc. It will also improve our ability to gather information for identifying excellent property deals.



Forest Products and General Merchandise

Sun Building Materials Corporation, our joint subsidiary in the Forest products business, is an industry leader in handling building materials. We are very strong in log imports as well, and have the number one share in imports of Russian wood and US wood, and number two share in imported South-sea wood. We are ranked among the top two in imports of lumber wood from Malaysia, Indonesia, Canada, and Europe as well. In the retail business field, with the retail and wholesale business of miscellaneous goods as the focal point, our goal is to expand our product line-up, supply sources as well as marketing channels.



(Source) Based upon financial information for FY2001 by each general trading firm, and Brains Trust's "2002 Major Trading Firms Business Statistic Comparison"

(Note) The above product segments are those which are usually used for industry comparison, and are different from the business segmentation the new holding company will utilize

Rationalization Effect

◆ Rationalization Plan

	Sept. 2002	→	March 2006
– Employees (consolidated)	21,800*	→	Around 15,600
– Consolidated subsidiaries	430*	→	Around 270
– Domestic branches	8*	→	4
– Overseas operating bases	187*	→	67

Rationalization measures	Actual effects* (In FY2005 compared to FY2002)
Total reduction in SG&A expenses (Effect of reorganization of subsidiaries included)	113 billion yen
Total rationalization effect	67 billion yen
Restructuring of overlapping administrative organizations, integration and liquidation of domestic & overseas bases, integration of sales divisions and subsidiaries, etc.	12 billion yen
Restructuring and reorganizing businesses on a non-consolidated basis; Restructuring and reorganizing businesses of subsidiaries (other than those described above)	22 billion yen
Reducing personnel and material expenses	29 billion yen
Others (integration of main systems, sharing of common infrastructure and assets, etc.)	4 billion yen
Reorganization of subsidiaries	46 billion yen

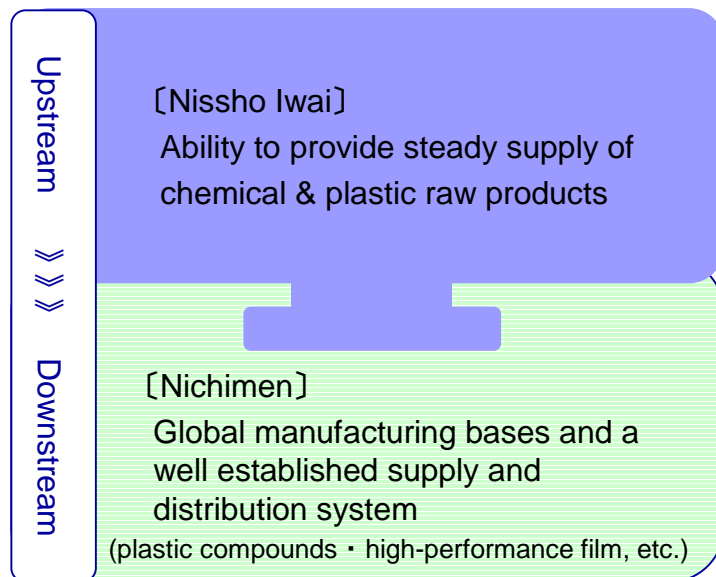
* These figures are as of Sept. 2002 and do not include steel related companies. Estimated total reduction in SG&A expenses (end of FY2005) is as compared to the combined forecast for FY2002

Synergetic Effect①

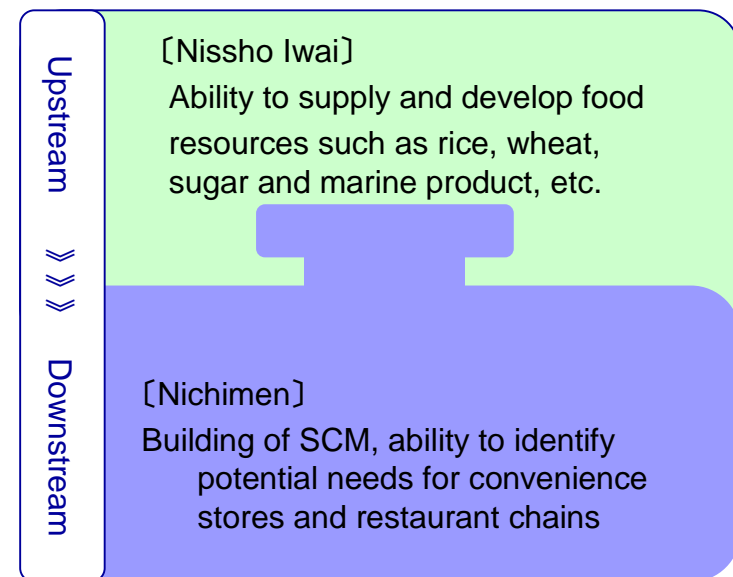
- ◆ Establishment of an integrated supply and distribution system from upstream to downstream
- ◆ Identifying customer needs and creating new business streams by integrating and harmonizing business functions

(Example of synergy within segment)

Example 1. Chemicals & Plastics



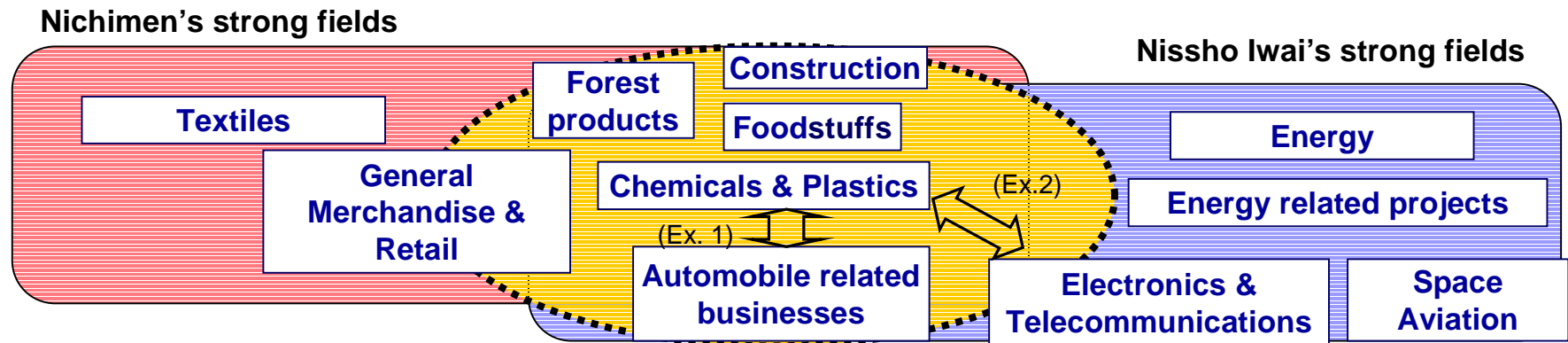
Example 2. Foodstuffs



Synergetic Effect②

◆ Pursuance of cross-segment synergy

(Example of synergy effect across segments)



Example 1: Automobile related businesses + Chemicals & Plastics

As part of the support services program, which we plan to develop for those Japanese automobile manufacturers thinking of moving their businesses to China, we will support the plastic companies to start their businesses in China, and organize a supply distribution structure for related products. Additionally, we will utilize our China-related trading expertise in the automobile related businesses as well.

Example 2: Electronics & Telecommunications + Chemicals & Plastics

In order to exploit the booming mobile phone market in China, we will not only export components from Japan and Korea, but also engage in manufacturing of mobile phone terminals in China. As part of this effort, we will support the plastic companies to start business in China, and market the components made by these plastic companies to major mobile phone manufacturers in China.

V. Strategic Fields and Core Regions

Strategic Fields

- ◆ Strategic business fields are selected based on growth potential, profitability, and synergetic effects
- ◆ Improving profitability by allocating management resources to strategic fields
- ◆ Leveraging each company's strengths and characteristics, to reinforce and differentiate their functions
- ◆ Allocation of approximately 300 billion yen of new funds over 3 years to strategic fields

<p>Functional Trading Field (70% of total recurring profit*)</p> <p>Business fields, achieving profit growth by providing markets and clients with more competitive goods and services through utilizing and developing strong sales bases and distribution channels.</p> <ul style="list-style-type: none"> •Recurring profit target(FY2005) : 3.0x to FY2002 (combined forecast) •New investment during the plan: 200 billion Yen 	<ul style="list-style-type: none"> ○ Energy Resources (Oil, Gas, etc.) ○ Automobile related businesses ○ Space Aviation ○ Electronics & Telecommunications ○ Household & Consumer Products (Chemicals & Plastics, Foodstuffs, Textiles, General Merchandise/Retail, Forest products)
<p>Strategic Project Field (30% of total recurring profit*)</p> <p>Business fields, achieving profit growth by allocating management resources based on strategic investment policy and active risk management policy utilizing know-how and experience, which were accumulated through domestic and global projects.</p> <ul style="list-style-type: none"> •Recurring profit target(FY2005) : 1.5x to FY2002 (combined forecast) •New investment during the plan: 100 billion Yen 	<ul style="list-style-type: none"> ○ Energy Resources (Energy related projects) ○ Information Industries ○ Household & Consumer Products (Construction & Urban Development)

* Recurring Profit for FY2005 that is projected to be incurred by business departments/divisions only

Core Regions

◆ Core Regions

3 regions, high growth region including South-East Asia, China and the world's largest market, NAFTA, have been designated as core regions. Management resources in each of these regions will be concentrated in the following businesses:

–South-East Asia

- . Household & Consumer Products industries (Foodstuffs, Forest products, etc.), which are showing significant growth in terms of both the supply market and the consumer market
- . Chemicals & Plastics industries, where dramatic expansion of the logistics business is expected
- . Energy Resources business from resource development (Oil, Gas, etc.) to power generation

–China

- . Retail and wholesale business (Textiles, Foodstuffs, etc.) in the expanding consumer market predominantly in coastal areas
- . Cross-border trade emanating from China, developing as the “World's manufacturing base”
- . Rapidly expanding IT market (IT system, mobile phone terminal market, etc.)

–NAFTA Market

- . USA, Canada's Space aviation industry (commercial aircrafts, defense related industry business)
- . Steady and continuous trade business of global brand products centering around first class clients (Nike, etc.)
- . Cross-border trade between NAFTA and Asia

(Appendix) Schedule

Schedule

Date	Description
January 29, 2003	Definitive agreement signed with regard to Business Integration by Stock Transfer
End of January, 2003	Application of listing for Nissho Iwai – Nichimen Holdings Corporation at TSE, OSE
February 25, 2003	Special shareholders' meeting of both Nissho Iwai and Nichimen
Early March, 2003 (planned)	Listing of Nissho Iwai – Nichimen Holdings Corporation to be approved by TSE, OSE
March 26, 2003 (planned)	Both companies' stock de-listed from Stock Exchanges (TSE, OSE, NSE)
April 1, 2003 (planned)	Listing, stock transfer and registration of Nissho Iwai – Nichimen Holdings Corporation
After April, 2003, earliest as possible	Implementation of equity financing
March, 2004 (planned)	Completion of reorganization of the both companies' businesses and subsidiaries

Information on Future Performance (Forward-Looking Statements)

Nissho Iwai and Nichimen may present information on this material regarding the future business activities and performance of the newly-establishing Nissho Iwai-Nichimen Holdings Corporation and those of its affiliated companies. Such forward-looking statements are only forecasts based on information available at the time of disclosure and may be subject to change because of a wide range of factors.