

October 31, 2001

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Nichimen and Hong Kong-based Li & Fung Limited Announced Business Alliance and Cross-shareholding

Nichimen Corporation (“Nichimen”) announced that it has entered into “Memorandum of Understanding” on October 31, 2001 with Hong Kong-based Li & Fung Limited (“Li & Fung”), a global supply chain management (SCM) company that sources high-volume, time-sensitive consumer goods, in order to form a global business alliance and to exchange shares with Li & Fung.

1. Reason for Business Alliance

Under its medium-term management plan, “NP2002”, started in this April, Nichimen intends to expand textiles business significantly as one of its strategic business fields. In order to improve its competitiveness of its textiles business pursuing customer satisfaction, Nichimen has decided to form an alliance with Li & Fung, which has a world-wide collaborative network of factories and a state-of-the-art SCM system. Japanese market will be the primary focus of this strategic business alliance.

Nichimen also brings its textile affiliates; Nichimen Paltex Corporation, Nichimen Apparel Co., Ltd., and Nichimen Orient Wear Ltd. to this business alliance. (Nichimen Paltex Corporation handles various products including textile fabric and textile materials, home textile products, and industrial textile products. Nichimen Apparel Co.,Ltd. focuses on product development, design, and sales of apparel products. Nichimen Orient Wear Ltd., doing operation in Hong Kong and Shanghai, is an international apparel production and sourcing company.)

By utilizing Li & Fung’s production management and SCM system, Nichimen and the affiliates aim to establish a value chain connecting from upstream to downstream and to achieve

greater customer satisfaction.

2. Details of Business Alliance

a. Main Points of the Business Alliance

- To establish collaborative system in the production and sales of the products for Japanese market and management & operation of SCM for Japanese market.
- To exchange information regarding sourcing, production, and marketing of products.

b. Scope of Products under the Alliance

- Apparel products and fashion accessories
- Life style products/sundries
- Bed linens and home textile products
- Furniture and home interior accessories
- Kitchen products and household goods.
- Electric appliances.

c. Possible Future Business Collaborations

- To acquire brand name licensing rights of and/or distributorships from Li & Fung's customers in USA and Europe for Japanese market.
- To develop and engage in the growing segment of Japanese apparel retail market.
- To assist Nichimen's and Nichimen Paltex's marketing efforts in USA and Europe.
- To develop and collaborate on new business opportunities in Japan and elsewhere (including China and Southeast Asia).

d. Term of the Business Alliance

The term of business alliance will commence on January 1, 2002 and end on March 31, 2005. After the initial termination, the alliance will be renewed every two years upon mutual agreement.

3. Synergies of Business Alliance

This strategic business alliance will enable Nichimen to improve price competitiveness of its products and to enrich its product line-up by combining Nichimen's own product base with Li & Fung's sophisticated global supply chain. Accordingly, Nichimen will

be able to serve its customers better.

On the other hand, Nichimen will help Li & Fung to enter into Japanese market smoothly utilizing its sales network and know-how about Japanese market. Furthermore, Nichimen will adjust Li & Fung's SCM system to Japanese market, so that Li & Fung will be able to expand its production scale and to improve its production efficiency. In a long run, it is expected for both parties to increase market share in Japan and to develop a new business model with SCM system.

4. Details of Cross-shareholding

In addition to business alliance, both parties agreed to hold another's shares to strengthen their relationship. The cross-shareholding will amount to approximately ¥500mil respectively.

5. Summary of Li & Fung

Li & Fung Limited is today one of the premier global consumer products export trading companies managing the supply chain for high-volume, time sensitive consumer goods, including garments, fashion accessories, toys and games, sporting goods, furnishings, handicrafts, shoes, travel goods and tableware. Those goods are sourced through its 64 offices in 37 countries and produced in 7,500 factories with which it has relationship. As a supply chain manager, Li & Fung provides the convenience of a one-stop shop for customers through a Total Value-Added Package: from product development, through raw material sourcing, production planning and management, quality assurance and export documentation to shipping consolidation.

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| (1) | Company Name: | Li & Fung Limited (利豐有限公司) |
| (2) | Main Business: | Trading company (buying agent of textile goods, household goods, toys, sporting goods, and other consumer products.) |
| (3) | Date founded: | year 1906 |
| (4) | Headquarters: | Hong Kong |
| (5) | Group Managing Director: | William K. Fung |
| (6) | Listed market: | Stock Exchange of Hong Kong (Hansen Index company) |
| (7) | Capital (share capital): | HK\$2,826mil (approximately ¥45bil)* |
| (8) | Business result: | Sales HK\$24,993mil (approximately ¥400bil)* Net Income HK\$870mil(approximately ¥13.8bil)* |
| (9) | Number of employees: | 4,668 |

- (10) Main shareholders & Holdings: Li & Fung (1937) Limited 34.8% etc.
- (11) Previous relationship with Nichimen: None

*Data as of Dec 31,2000

6. Schedule

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|----------------------|---|
| October 31,2001 | -Signing of Memorandum of Understanding |
| End of December 2001 | -Signing of Business Alliance Agreement (planned) |
| January 1, 2002 | -Kick off date for Business Alliance (planned) |

7. Outlook of performance

- (1) Outlook of textiles segment

This business alliance will start at the beginning of January 2002, however, because it will take some time to customize Li & Fung's system for Japanese market, Nichimen expects that the alliance will contribute to Nichimen's financial performance from FY2003.

The alliance will increase consolidated net sales by ¥20 billion in FY2003 and by ¥67 billion in FY2006 respectively.

- (2) Outlook of Nichimen's consolidated & non-consolidated performance for FY2001, ending March 2002

The outlook of Nichimen's consolidated & non-consolidated performance will be announced on November 15, 2001 when it releases interim financial results for FY2001.