

1997
Annual Report

NISSHO IWAI

FINANCIAL HIGHLIGHTS

Nissho Iwai Corporation and Consolidated Subsidiaries

	Millions of yen			Thousands of U.S. dollars
	1997	1996	1995	1997
For the years ended March 31:				
Total trading transactions	¥8,889,419	¥9,447,995	¥10,020,469	\$71,688,863
Operating income	48,187	39,900	41,864	388,605
Net income (loss)	15,421	(25,046)	5,237	124,363
As of March 31:				
Total assets.....	¥5,414,490	¥5,002,657	¥ 4,899,437	\$43,665,242
Shareholders' equity.....	270,937	213,806	243,548	2,184,975
Per-share amounts:				
Net income (loss)	¥ 18.38	¥ (31.94)	¥ 6.68	14.82¢
Cash dividends	5.00	5.00	5.00	4.03

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

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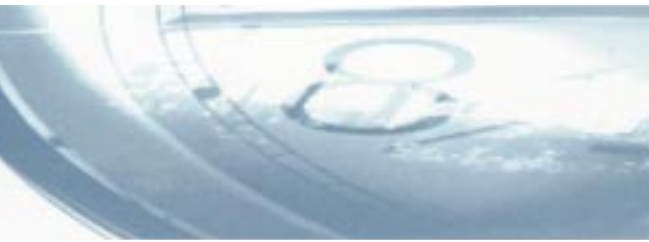
Nissho Iwai Corporation is one of the world's largest trading companies, with 154 bases

outside Japan that span 78 countries and total trading transactions of ¥8,889 billion per year. Activities extend to every field, including steel, non-ferrous metals, machinery and information industries, construction and realty, energy and chemicals, foods, textiles and general commodities, financial products and precious metals.

Nissho Iwai is vigorously expanding its global business and adding new capabilities to its traditional role as a trading company. By strengthening our broad-based business development functions, we intend to achieve growth as a sound, global enterprise. Important business investment fields are resource and energy development, the information industry and environmental businesses.

Nissho Iwai Group comprises 272 affiliated companies in Japan and 310 affiliated companies overseas with a total of 39,000 employees. We are installing an advanced information system to integrate this network and raise business opportunities to a higher level.

We have announced plans to build a new headquarters building by the year 2001 in Tokyo's Waterfront Subcenter. The new building will feature leading-edge information capabilities to support multinational expansion, and it will symbolize Nissho Iwai as a global enterprise of the highest caliber.



*Masatake Kusamichi
President and CEO*

As my second term as president approaches, I am pleased to announce a solid operating performance for the past year, and I would like to take this opportunity to discuss the current conditions and future strategies of Nissho Iwai.

Operating Performance

Operating results for the fiscal year ended March 31, 1997, exceeded the Group's initial target. Total trading transactions declined 5.9% from the previous term to ¥8,889 billion due to a change in the method of accounting for precious metals dealing transactions. Excluding the effects of this change, total trading transactions grew by an effective rate of 13.0%, supported by growth in transactions for ships, automobiles, petroleum, liquefied natural gas (LNG) and lumber products. Operating income surged 20.8% to ¥48 billion, and net income rebounded strongly to ¥15 billion, following a net loss recorded during the previous term. Increased profit margins, especially for machinery and chemical products, contributed to higher profits.

These results led to a return on equity (ROE) of 6.4%, the highest among Japan's general trading companies.

We carried out equity and equity-linked financing of ¥116 billion in August 1996 to enhance our financial position, and we have proceeded with Business Process Re-engineering in pursuit of managerial efficiency.



We will make every effort to build a solid and sustainable profit structure. The current fiscal year, ending March 31, 1998, marks the final term of our three-year management plan, "Challenge 98." We expect to exceed performance targets that were established by this plan.

Operating Environment and Management Initiatives

The globalization of economic activity continues unabated and has given rise to the age of worldwide "megacompetition." For Nissho Iwai, however, as one of the world's largest trading companies, these conditions are highly favorable for growth and profitability. The expansion of world trade leads naturally to higher levels of transactions at our 154 bases outside Japan that span 78 countries in the world marketplace. Moreover, in the emerging economies of Asia, Latin America and Eastern Europe, we are targeting investment opportunities that extend beyond trading activities, by taking full advantage of our financial and information-gathering capabilities.

Against the backdrop of world economic growth, Nissho Iwai is vigorously expanding its global business and adding new capabilities to its traditional role as a trading company. By strengthening our broad-based business development functions, we intend to achieve growth as a sound, global enterprise.

In the area of business investment, strategically important fields include the development of energy and other resources, where general trading companies can make substantial contributions based on a global perspective; information industries, which display enormous growth potential worldwide; and



environmental businesses, such as afforestation and recycling, which are necessary for sustainable economic growth.

We have refocused our efforts on information management. The Nissho Iwai Group encompasses 582 affiliated companies, 272 in Japan and 310 abroad, and has 39,000 employees. By using an advanced information system to integrate this worldwide network and the substantial base of human resources, we will maximize Group efficiency and increase our opportunities to establish promising new businesses.

For the 21st Century

Nissho Iwai has announced plans to build a new headquarters building by the year 2001 in Tokyo's Waterfront Subcenter. I believe the new building, which will feature leading-edge information capabilities, will not only be a base for multinational expansion, but will also symbolize Nissho Iwai as a global enterprise of the highest caliber.

"More for the World — Global Human Network" is our corporate slogan that denotes our aim to make broad contributions to international and regional societies through our economic activities, together with the close cooperation of people throughout the world. Corporate innovation that we began during the previous term marked an important phase in our efforts to pursue this concept, and we intend to move onward with decisiveness and enthusiasm. We are making steady progress in our preparations for a leap of progress in the 21st century.

As president of Nissho Iwai, I will do everything in my power to ensure that the wholehearted efforts of the Group to expand in promising areas lead to earnings performance that meet the expectations of our investors. I thank you for your support.

A handwritten signature in black ink, reading "Masatake Kusamichi". The signature is fluid and cursive, with a prominent initial "M".

Masatake Kusamichi

President and Chief Executive Officer

July 1997



- PRESIDENT AND CEO** Masatake Kusamichi (*sitting*)
EXECUTIVE VICE PRESIDENT Matamitsu Goto, *Machinery & Information Industries Group, Construction & Realty Group and CIS, China & North-East Asia (standing, third from left)*
EXECUTIVE VICE PRESIDENT Tatsuro Okada, *Steel Group, Non-Ferrous Metals Group and Domestic Operations Group (standing, right)*
EXECUTIVE VICE PRESIDENT Masayoshi Toriumi, *Foods, Textile & General Commodities Group and Osaka Head Office (standing, second from left)*
EXECUTIVE VICE PRESIDENT Akira Yokouchi, *The Americas; President and CEO of Nissho Iwai American Corporation; President of Nissho Iwai Canada Ltd. (standing, left)*

SENIOR MANAGING DIRECTORS



Hiroshi Tomomori
*Euro-Africa & Middle East;
 Chairman and President of Nissho Iwai Europe Plc*



Masamitsu Hiroumi
Energy & Chemicals Group



Katsumi Yoshioka
Financial Products & Precious Metals Group; General Manager, Financial Products Division



Nobutoshi Gonda
Machinery & Information Industries Group (Aerospace Division and Information & Industries Division)



Toshihiro Tamura
Corporate Administration Group I (Corporate Planning & Co-ordination, Public Relations, Personnel, General Affairs and Logistics)



Toshihisa Kajiwara
Energy & Chemicals Group (Organic Chemicals & Plastics Division, Inorganic & Fine Chemicals Division and Ceramics & Minerals Division)



Yoshinori Takeda
Corporate Administration Group II (Accounting, Finance, Administration and Affiliates Administration)



Kazuo Inohara
General Manager, Nagoya Branch

MANAGING DIRECTORS



Takayuki Mabuchi
General Manager for China;
Chairman of Nissho Iwai China
Corporation Ltd.



Yoshito Otake
Steel Group (Ferrous Materials &
Coal Division and Osaka Steel
Products Division)



Shoichi Tanaka
Foods, Textile & General
Commodities Group (Wood
Products Division and General
Commodities, Paper & Pulp
Division); General Manager, Wood
Products Division



Hirohiko Kitazawa
Corporate Administration Group II
(Finance)



Takaharu Tanabe
Energy & Chemicals Group
(Petroleum Division and Gas &
Coal Division); General Manager,
Gas & Coal Division



Yoshishige Aikei
Machinery & Information Industries
Group (Energy & Chemical Project
Division, Infrastructure Project
Division and Marine & Transporta-
tion Systems Division); General
Manager, Infrastructure Project
Division



Sukeyoshi Watanabe
Asia & Oceania; General Manager
for South-East Asia

DIRECTORS



Masashi Mizutani
Steel Group (Steel Products
Division, Wire Rod & Specialty
Steel Division and Steel Products
Overseas Division); General
Manager, Wire Rod & Specialty
Steel Division



Hidetoshi Nishimura
General Manager, Information &
Industries Division



Masayoshi Honma
Corporate Administration Group I
(Personnel and General Affairs)



Shinpachi Hasegawa
General Manager, Ferrous
Materials & Coal Division



Toma Masaoka
Machinery & Information
Industries Group (Heavy
Machinery & Industrial Plant
Division and Automotive
Division); General Manager,
Automotive Division



Kosaku Nakatani
General Manager, Inorganic &
Fine Chemicals Division



Tetsuya Yoshioka
General Manager, Secretariat
Office



Shiro Yasutake
Machinery & Information Industries
Group (Osaka Machinery Division);
General Manager, Construction &
Realty Division



Kunio Yoshizawa
General Manager, Steel Products
Overseas Division



Kunihide Izumi
General Manager, Aerospace
Division



Ryuji Hori
*Corporate Administration Group II
 (Legal & Credit and Affiliates
 Administration)*



Masanobu Kondo
*The Americas; Executive Vice
 President of Nissho Iwai American
 Corporation*



Katsunori Kawamoto
*Corporate Administration Group II
 (Accounting)*



Tomoyoshi Kondo
*Foods, Textile & General
 Commodities Group (Foodstuffs
 Division and Food Products
 Division); General Manager, Food
 Products Division*



Shoji Igarashi
*General Manager, Non-Ferrous
 Metals Division*



Mitsushi Kishimoto
*General Manager, General
 Commodities, Paper & Pulp
 Division*



Sekio Hara
*General Manager, Energy &
 Chemical Project Division*



Yoshitaka Matsuno
*Corporate Administration Group I
 (Corporate Planning &
 Co-ordination)*

C O R P O R A T E A U D I T O R S



Tsunemitsu Kitayama



Kinpei Shiota



Masaji Shinagawa



Toshijiro Nakajima

Globalization of the world economy is advancing at a rapid pace amid the liberalization of trade and investment. For Nissho Iwai, these developments result in increased business opportunities, and the Company is making every effort to accurately evaluate the trends of the times and to vigorously pursue strategies that ensure sound growth into the 21st century.

New Headquarters Building

The world economy has grown at an average annual rate of approximately 3% in real terms during the past ten years. During the same period, the volume of world trade has expanded approximately 6% annually, meaning that trade has grown at twice the speed of the overall economy. This macroeconomic trend is providing a strong tailwind for Nissho Iwai, whose business is based on trading operations.

At the same time, Nissho Iwai is more than just a trading company. For example, although we import paper and pulp, which we market in Japan, we have also established companies, with local capital participation, in various regions of Asia and Oceania and are active in afforestation activities to ensure a steady supply of raw materials for paper production. In other words, we are developing integrated businesses that link the planting of



Artist's conception of the new headquarters building (lower), Tokyo Waterfront Subcenter (upper)

*The JCSAT-4 was launched by
Japan Satellite Systems in
February 1997.*



forests and the production of woodchips in overseas countries with the importation of these products into Japan and their sale in the domestic market.

Nissho Iwai has 310 overseas and 272 domestic affiliates, with 49 of the overseas affiliates newly included in the Nissho Iwai Group, compared with nine new domestic affiliates. This demonstrates the high relative growth in the overseas portion of the Group. As we approach the 21st century, our key business strategy is to make global investments in various business fields to create businesses and stimulate markets in every region of the world.

To support this global strategy, we are building new corporate headquarters in both Europe and Japan. In London, the Nissho Iwai European Headquarters Building, now under construction, will be the regional headquarters to cover our business operations

in Europe, Africa and the Middle East. The planned completion date is October 1997.

Tokyo's Waterfront Subcenter is a rapidly developing business center on Tokyo Bay. This attractive waterfront setting will be the location of our new headquarters building, which we are aiming to complete by the year 2001. The new building will function as our headquarters and will be the nerve center for our global strategy to expand our overseas business activities.

The Information and Communications Industries

General trading companies are the most active business creators among Japanese corporations. Although they promote new businesses in a broad cross-section of industry,

The BBC News transmitted by Satellite News Corporation (left), NIFTY-Serve user interface (right)



their leadership position in the information and communications industries is especially well established. The reason for this lies in the fact that general trading companies do not possess proprietary technologies, but instead are able to develop businesses by forming partnerships with companies that have the best technologies. In this respect, general trading companies are very different from manufacturers. In the information and communications industries, where technological innovation is advancing at breathtaking speed, the independent position of general trading companies provides an especially strong advantage. And success is attributable to another major factor: general trading companies have highly flexible organizational structures and they possess an abundant pool of talent able to respond swiftly to opportunities in new business fields.

Multichannel digital satellite broadcas-

ting, for example, is now attracting a great deal of attention in Japan, and the general trading companies have led the way in developing this field.

Nissho Iwai has entered this business as a major shareholder of PerfectTV Corp., which engages in broadcasting by means of a communications satellite owned by Japan Satellite Systems, Inc., in which Nissho Iwai is also a leading shareholder. Our activities extend from program production to distribution and include the operations of Satellite News Corp., which transmits such programs as the BBC News.

In the information industry, Nissho Iwai has invested in more than 120 companies in Japan and abroad. Besides the broadcasting-related businesses mentioned above, our extensive operations include Internet services, mobile communications, cable television (CATV), the marketing of information equipment systems, and the development and marketing of computer software.



Signing ceremony for the Qatar Ras Laffan LNG Project



Nissho Iwai's extensive energy operations range from energy development to transportation and marketing.

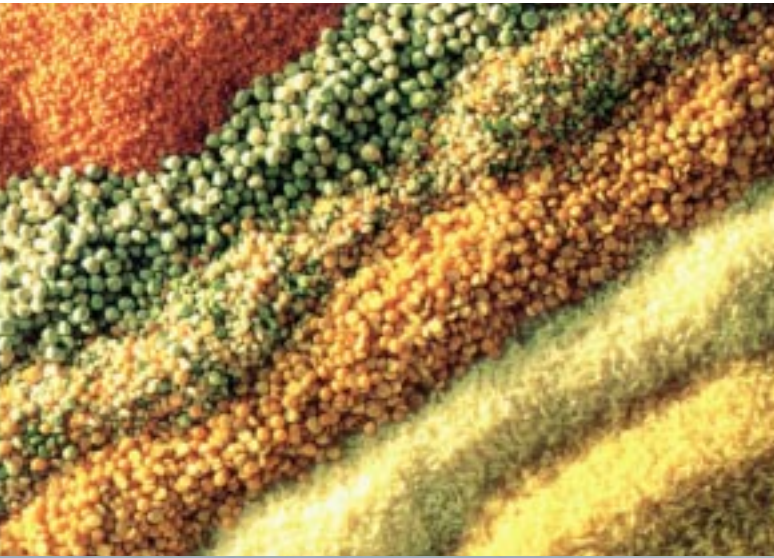
Energy and Natural Resource Development

Maintaining resources, including oil and natural gas, minerals, food, forestry products and marine products, is essential to support people's comfortable lifestyles. Nissho Iwai and other general trading companies play a key role in the field of resource development.

Japan is a major importer of resources, depending on imports for most of the major resources it uses. Against this backdrop, general trading companies have emerged in Japan and have fulfilled the vital mission of importing resources for industrial development and of developing such resources.

General trading companies have built up expertise in the development of resources, and today they not only import commodities into Japan, but also supply resources to other countries.

Our capacity to perform an advanced level of business coordination lies behind the major role that we are able to play in resource development, which is characterized by increasingly large-scale projects. In many cases, this means forming consortiums comprised of companies and governments spanning several countries. However, it is such large-scale projects that allow general trading companies to display their full potential. In this area, the comprehensive nature of



Nissho Iwai imports organic soybeans and many other organic agricultural products.

general trading companies comes to the fore as they are able to handle any aspect of the business, from project finance and plant construction to marketing finished products throughout the world.

Last fiscal year, for instance, Nissho Iwai took an equity position in the Ras Laffan liquefied natural gas (LNG) project in Qatar. Our aim was to participate in all the stages of the so-called LNG chain, including the production of gas derived from the well, transportation, distribution in the countries of demand and support of such LNG users as independent power providers (IPPs). Thus, we will make use of accumulated wide-ranging expertise, not only in the field of energy, but also in such related businesses as shipping and plants. This is a prime example of our strategic business development that takes advantage of the comprehensive capabilities that we have developed as a general trading company.

Guaranteeing a stable food supply for people to live healthy and comfortable lives is also one of our major corporate objectives. Japan is the largest food importer in the world. Recently, the market for organic food has expanded rapidly amid rising consumer concerns about the safety of agricultural products. Although this market is still relatively small, we have been quick to respond to changes in consumer consciousness and we have become one of the leaders in Japan in the handling of organically grown agricultural produce. One example is the step we took to initiate the establishment of an organization concerned with the approval of organic products, which seeks to ensure that consumers are supplied with safe agricultural produce.

More for the World — In accordance with this slogan, we are maintaining vigorous efforts to create market-stimulating businesses throughout the world.

REVIEW OF OPERATIONS



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STEEL GROUP

The Steel Group posted favorable results owing to a general underlying recovery in related industries. Nissho Iwai strengthened the Group's operations, including its domestic offices and affiliated companies. We made significant overseas investments focused on expanding our distribution system as part of our strategy for the increasingly borderless steel markets.



Ultrasound inspection of steel pipe

Steel Products Division

Nissho Iwai boasts one of the leading track records in the domestic steel market. The Steel Products Division handles ordinary steel products. It purchases products from blast and electric furnace mills and rolling mill manufacturers and markets them to

a broad cross-section of industry, including the automotive, ship-building, construction, housing, consumer electronics, steel

furniture and steel can sectors. We are responding aggressively to the shift to overseas production by these industries, as well as by automotive and consumer electronics parts manufacturers, through the establishment of overseas joint venture businesses and other measures based on close cooperation with the Steel Products Overseas Division.

The Steel Products Division is expanding its domestic, export and import and offshore trading activities in scrap metal and feed metals for steel making. Our strategy for meeting the needs of electric furnace mills is to provide consistent services for the sale of steel products and the supply of raw materials, with both business areas receiving

*(back, from left)
Nobuhiro Okamura, Shinpachi Hasegawa, Masashi Mizutani, Kunio Yoshizawa, Nobuhiko Kikuchi
(front, from left)
Tatsuro Okada, Yoshito Otake*





A molybdenum made by Thompson Creek Metals



Wire rod produced by P.T. IWWI of Indonesia

equal emphasis within the Division.

Nissho Iwai is striving to bolster its leadership position in domestic steel sales by building a marketing network that integrates its affiliated companies, sales agents and processing centers and by stimulating demand for such next-generation steel applications as steel houses.

Wire Rod & Specialty Steel Division

The Division handles wire rod and wire products, specialty steel and stainless steel — its areas of traditional strength — through a unified borderless marketing

system. The level of annual transactions is among the top in the industry.

Nissho Iwai supplies secondary manufacturers with wire rods and specialty steel from major domestic primary manufacturers and has maintained a leading position in the domestic market. We are building on our strong reputation in stainless steel to strengthen our relationships with producers. We are creating a fine-tuned marketing and delivery system by reinforcing our distribution network, which we have built over the past several years, and establishing such processing facilities as steel service centers.

In overseas markets, we are working to

expand our trading activities, including local trading, and are aggressively developing our midstream and downstream distribution networks. In wire rods and specialty steel products, Nissho Iwai previously built an integrated distribution system in the United States to handle everything from the supply of semifinished products to product sales. During fiscal 1996, we proceeded to establish a similar system to meet demand in Asia. In stainless steel products, we are constructing a network to meet the semifinished product procurement needs of Japanese, European and U.S. multinational affiliates by investing in steel service centers in China and Asia. In addition, Acerinox S.A. of Spain, in which



Nissho Iwai has a major investment, has become the world's largest producer of stainless steel sheets.

Steel Products Overseas Division

The Division exports a wide variety of steel sheets and steel pipes. In recent years, however, offshore transactions have grown in importance following structural changes in the global steel products market. During the term under review, the Division's trading transactions rose 20% over the previous fiscal year.

We began full-scale operations at steel service centers in Canada, China, Vietnam and Indonesia, bringing the number of

service centers to 19 throughout Asia and North America. Nissho Iwai plans to construct a second factory at its steel service center in Guangzhou City, China and is striving to expand sales in China's growing steel sheet market. In India, where one service center is already in operation, we are examining the feasibility of building two additional service centers.

In the steel pipes field, we are concentrating on energy-related areas. During the fiscal year, we established joint ventures for oil well pipes and related equipment in Singapore and Indonesia.

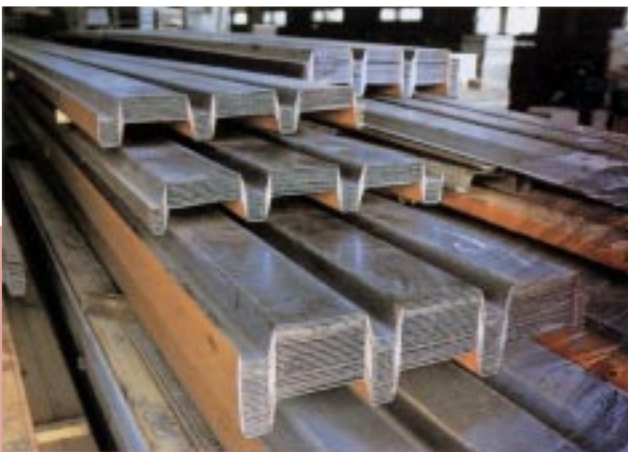
Our offshore trading activities include handling Brazilian-made semifinished products for the Asian market, and transactions are growing firmly.

The Division has shifted from a downstream investment focus to upstream areas closer to the steel making process, and it is striving to increase the scale of its operations.

Ferrous Materials & Coal Division

Importing approximately 17 million tons of iron ore, seven million tons of coal and 700,000 tons of ferroalloys on an annual basis, Nissho Iwai is well-established as a major player in the industry.

We import from all over the world and have coordinated the iron ore imports from Companhia Vale do Rio Doce (CVRD), the world's largest iron ore producer, for more than forty years. We are developing coal



Steel sheet piles (left), iron ore imported from CVRD of Brazil (right)



mines in Canada and Australia and are also investing in ferroalloy businesses in the Czech Republic and South Africa.

In the area of feed metals for steel making, Nissho Iwai invested in Complejo Siderurgico de Guayana (COMSIGUA) of Venezuela, a producer of hot briquetted iron. Construction has begun on a plant scheduled to commence operations in 1998. Like Operaciones al Sur del Orinoco (OPCO) C.A., another company partly owned by Nissho Iwai which has already begun production, output will target the United States market.

To secure stable sources of steaming coal and semisoft coking coal, which are forecast to increase in demand, Nissho Iwai is participating in the exploratory phase of a

number of new projects in Australia and in Indonesia.

We have also invested in a chrome metal company, which is a ferrochrome production subsidiary of SAMANCOR of South Africa, the world's



Steel service center in Singapore

largest ferroalloy producer, to contribute to a stable supply of ferrochrome in Japan.

Osaka Steel Products Division

The Division handles steel trading in the Kansai area and recorded a solid performance during the term under review, maintaining its position as an industry leader.

Focused on a broad range of steel



Steel pipes

products, from raw materials to finished products, the Division is especially well-positioned in trading wire rods and wire rod products. In steel pipes, the Division is the top agent for products from Maruichi Steel Tube Ltd., a major domestic steel pipe manufacturer. Our partnership with Maruichi extends to such areas as investment in its overseas bases.

The Division redoubled its efforts to win

business in rapidly growing Asian markets, as the role of the Kansai region is increasing in Asia following the establishment of the Kansai International Airport. During the term under review, we decided to establish a company in India to make casting and forging parts for the automotive industry. In February 1997, we established a storage and marketing company in China to handle secondary- and tertiary-processed wire rods, centered on fasteners. NIFAST Corporation, which we established in the United States in 1988 to market fasteners, is achieving solid success.

The Division is focused on handling scrap, a raw material for steel, and feed metals for steel making, a substitute for scrap, in response to numerous plans to construct electric furnace steel mills throughout Asia.

NON-FERROUS METALS GROUP

The Non-Ferrous Metals Group's trading transactions rose 13% over the previous year, supported by strong performances in aluminum, copper and nickel. Imports were especially significant, reflecting our efforts to develop overseas sources of raw materials. The Group is expanding its overseas investments through the establishment of a copper smelting and refining joint venture, the acquisition of a large-scale scrap yard and the manufacture of aluminum and copper products.



*Port Kembla Copper Pty. Ltd.
in Australia*

Non-Ferrous Metals Division

The Non-Ferrous Metals Division handles such non-ferrous metals as aluminum, copper, nickel, titanium and niobium, from raw materials to finished products. Under favorable market conditions and the depreciation of the yen, the Division posted solid results. Imports of aluminum ingot from the Middle East and Russia increased, as did imports of nickel ingot from most of the producing countries.

The domestic steel industry's

consumption of ferroniobium hit a record high 4,622 tons. Nissho Iwai serves as the exclusive agent in Japan and Southeast Asia for Brazil's Companhia Brasileira de Metalurgia e Mineracao (CBMM). Since becoming the agent for CBMM in 1975, we have sold more than US\$500 million of niobium in Japan, and we currently hold a 78% share of the domestic market.

Sales of aluminum fin stock and copper tubes for air conditioners for the Southeast Asian and Chinese markets posted solid growth. During the year, the Division contracted to supply optical-fiber cables to Saudi Arabia and power cables to Taiwan.

*(from left)
Tatsuro Okada
Shoji Igarashi*





The Vietnam Japan Aluminium Co., Ltd. (VIJALCO) factory under construction.



CBMM President and Chief Executive Officer Dr. Jose Alberto de Camargo, who has spoken highly of Nissho Iwai's sales performance over the years, presented a silver plate to Nissho Iwai President Masatake Kusamichi at headquarters during Dr. Camargo's visit to Japan in November of 1996 (above).



A joint venture company named "Port Kembla Copper Pty. Ltd." was established in Australia in March 1997 with Furukawa Co., Ltd. and Nittetsu Mining Co., Ltd. among the partners. The new copper smelter is expected to be operational in 1999.

In November 1996, we acquired a large-scale scrap yard in California and formed "NAC Recycle Inc." to recycle such materials as aluminum cans, PET (polyethylene terephthalate) bottles, glass and paper, and we have further expanded our scrap recovery operations in the United States.

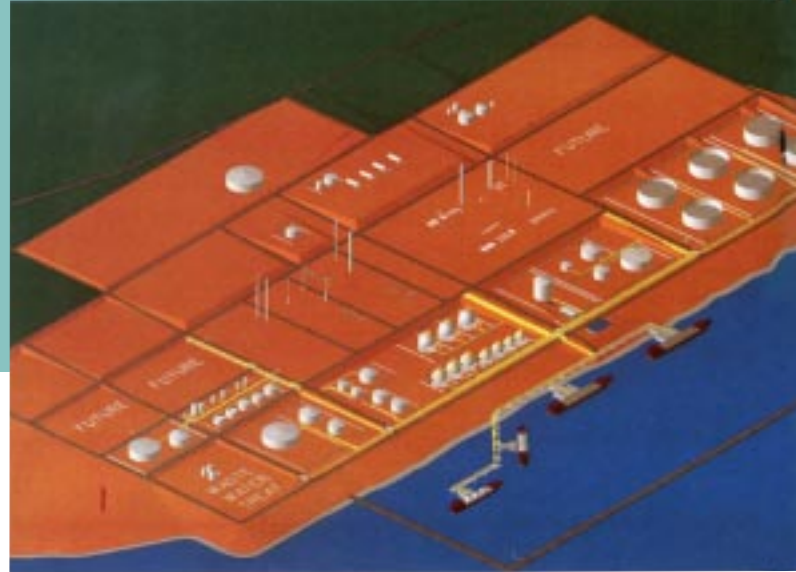
In March 1997, we invested in P.T. Showa Aluminum Indonesia, which processes and sells evaporators for refrigerators. In mid-1997, Vietnam Japan Aluminium Co., Ltd. (VIJALCO), in which Nissho Iwai is the principal shareholder, will start production. This joint venture company manufactures and markets aluminum extrusion products for construction. We established Chongqing Yangtse River Oil Pipe Co., Ltd., with Chinese partners in Chongqing City, China to process and market tubes for automobiles. Also during the year,

Nissho Iwai began production and marketing of aluminum precision die-cast parts for electrical machines and telecommunication devices in Japan and the Philippines.

To further strengthen its marketing capability both domestically and overseas, the Non-Ferrous Metals Group has been increasing its staff in such sales subsidiaries as Nissho Iwai Non-Ferrous Metals Corp. and Nissho Iwai Metal and Product Corp.

MACHINERY & INFORMATION INDUSTRIES GROUP

The Machinery & Information Industries Group competes aggressively for orders and continues to make inroads into Asia, South America and emerging markets all over the world. The Group is expanding its distribution and marketing bases on a global scale and is realizing the complexity in business operations for the supply of raw materials, sales of products and logistics. In information industries, Nissho Iwai is increasing its business in a wide range of spheres, from computer networks to satellite communications. We see vast potential for this strategically important area.



Tuban Olafin Arema (petrochemical) Complex

Project Planning Office

The Office was established in October 1996 for strategic and efficient participation in large-scale private-sector projects, which require the management of various kinds of risk. The Office supports frontline businesses in the initial stages of projects through basic risk assessment and through providing the

framework for financial security packages.

In infrastructure and other large-scale projects, a broad range of specialized knowledge on institutional banking, country risk and legal systems is necessary because of the strong trend toward BOT (build-operate-transfer), BOO (build-own-operate) and other methods of project finance. The Office is staffed with experienced professionals who

analyze economic fundamentals and business risks

(back, from left)
 Hiroyoshi Ikegawa, Shunpei Takei, Kunihide Izumi, Sekio Hara,
 Toma Masaoka, Hidetoshi Nishimura, Shinobu Umeda
(front, from left)
 Hiromichi Iwano, Nobutoshi Gonda, Matamitsu Goto, Yoshishige
 Aikei, Shiro Yasutake





Signing ceremony for the Shareholders Agreement of P.T. Trans-Pacific Petrochemical Indonesia

from a medium- to long-term perspective and develop optimal investment and finance schemes under a collaborative framework.

Nissho Iwai believes that plant projects will require multifaceted operations, including plant construction based on direct investment, raw materials supply, handling finished products and transportation. The Office plays an integral role in realizing this vision for comprehensive investment-flow operations.

Energy & Chemical Project Division

Through its Energy & Chemical Project Division, Nissho Iwai purchases and markets a wide range of plants and equipment focused on the petrochemical and natural gas industries. To succeed in large-scale projects, the Division cooperates closely with project owners and managers for project profitability analysis, funding plans, product sales and financing for plant purchases. The Division is divided into three departments: the Energy & Chemical Project Department 1 covers Asia, Iran and the Far East; the Energy & Chemical Project Department 2 handles the Americas, Europe, the Russian

Federation, Central Asia, the Middle East, Africa and Oceania; and the Energy & Environment Project Department is responsible for the Division's activities in Japan.

During the fiscal year under review, the Division's contract amount totaled approximately ¥280 billion. The Division is expanding its sphere of operations into promising businesses in not only plant construction and sales, but also in financing chemical plant operations as well. Recent large-scale projects include a ¥12 billion octanol plant in Indonesia, a ¥13 billion oil refinery project in Slovakia and a ¥20 billion oil refinery revamping project in Brazil.

Heavy Machinery & Industrial Plant Division

In the fiscal year under review, the Division completed contracts worth ¥40 billion for steelmaking equipment and rolling mills. Noteworthy contracts included: an electric tinning line made by Nippon Steel Corp. for Dongbu Steel Co., Ltd. (Korea); a skinpass rolling mill and a continuous annealing line for a customer in Brazil, where demand for steel sheets for automobiles is growing; and a bright annealing line made by Chugai Ro Co., Ltd. for manufacturing stainless steel sheets for KTN (Germany). Moreover, we continued efforts to boost sales of coaters and super calenders for paper manufacturing produced by Ishikawajima-Harima Heavy Industries (IHI) Co., Ltd., receiving ¥14 billion in orders during the term. Domestically, we received approximately ¥3 billion in orders for stainless steel rolling equipment for Nisshin Steel Co., Ltd. In the first independent power producer (IPP) project, the Division received approximately ¥23 billion in orders for independent power generation equipment manufactured by Hitachi, Ltd. for Nippon Steel Corporation.

In automobile manufacturing pro-

jects, we won an order from PROTON (Perusahaan Otomobil Nasional Berhad), Malaysia's largest national car manufacturer, to design and handle project management for the PROTON No. 2 Plant, and we are now providing engineering services. In China, a joint venture established with Sanyo Electric Co., Ltd. and seven other companies is manufacturing and marketing freezers and refrigerators, air conditioning equipment, compressors and electric hot-water dispensers. In sales of CO₂ laser processing machines, Nissho Iwai has approximately a 30% share of the U.S. market and a nearly 20% share of the European market.

Infrastructure Project Division

Building on its expertise in managing infrastructure projects and large-scale cement manufacturing plant projects, the Infrastructure Project Department is active in a wide range of projects that fulfill "Basic Human Needs" in developing countries, most of which are implemented by Japanese Official Development Assistance (ODA). In response to the trend of privatizing public

infrastructure projects that make use of BOT and BOO schemes, we are also focusing on privatized airports and other transportation infrastructure projects in Asia.

In March 1997, the Power Project Department invested in Pakistan SABA Power's power generation operations and engaged in cooperative financing with the U.S. Export-Import Bank. Construction planning for this project is now under way. In the Czech Republic, the Department promoted project finance and investment for a 340 MW coal-fired thermal power plant. During the term, we were engaged in ODA projects and power generation projects for industrial park developments, including one for the repair of a thermal power plant in Mongolia and one for a diesel power generation plant in Vietnam.

The Construction Machinery Department handles construction and public works equipment. It has affiliates in the United States, Germany, Indonesia, Thailand and China. In addition to leases and rentals, the Department seeks to increase interbase transactions and is conducting resource development projects in the United States, Central and South America, Asia and the Russian Federation. Domestically, the

IHI coater at PT. Pabrik Kertas Tjiwi Kimia Paper Mill, Indonesia (left), the Chinfor Haiphong Cement Plant in Vietnam, with a capacity of 1.4 million tons per year (right)



department rents and leases widely, and is expanding its marketing network to build a larger presence in the underground construction and building fields.

Automotive Division

With operations spanning nearly 70 countries around the world, the Division handles the import and export and offshore trading of automobiles, automotive parts and motorcycles.

During the term under review, we established an automobile and motorcycle joint venture with Suzuki Motor Corp. in China, and our light truck and motorcycle manufacturing joint venture in Vietnam began production in August 1996. In Malaysia, Nissho Iwai participated in MODENAS (Motosikal Dan Enjin Nasional Sdn. Bhd.), a joint venture between leading local companies and Kawasaki Heavy Industries, Ltd., which manufactures Malaysia's first nationally produced motorcycle.

Nissho Iwai is promoting a joint venture with Mitsubishi Motor Corp. in the Philippines and is aggressively marketing automobiles made by Tata Engineering & Locomotive Co. Ltd. (India) and by Kia Motors Corp. (South Korea) in Spain.



Malaysia's first national motorcycle made by MODENAS



5,250 TEU container ship

The Division is stepping up efforts to market imported cars in Japan and is engaged in the retail sales of Mercedes-Benz, Peugeot, Saab and Porsche as authorized dealers.

Marine & Transportation Systems Division

A global leader in shipbuilding, offshore oil and gas facilities and rail transportation, the Division enjoys a solid reputation worldwide.

The Division's Marine Department handles shipbuilding, chartering and ship financing and leasing. Kokusai Kisen, a subsidiary, deals with the sale and purchase of secondhand ships and the repair, engineering, management and operation of the ships. Our expertise and organization create successful tied shipping arrangements, enabling us to offer combined services.

During the fiscal year under review, the yen's depreciation fueled a 44.6% rise in sales of new ships to ¥120 billion, including twelve 45~170,000 DWT bulk carriers and 760~5,250 TEU con-

tainer carriers to COSCO Group (China). We financed half of approximately 30 ships that we delivered. The Company won contracts for 22 new vessels totaling ¥88 billion and 25 secondhand vessels totaling ¥22 billion.

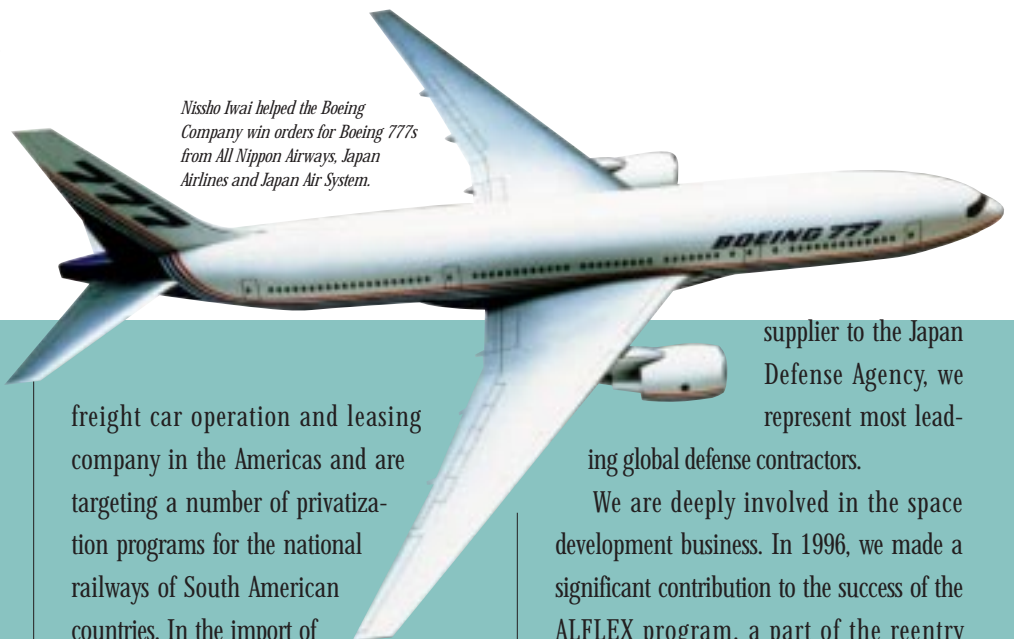
In 1997, demand for tankers is expected to rise slightly as a result of an easing in overtonnage conditions, while bulk carrier demand is expected to be weak as newly built ships begin operations. The world shipbuilding industry has been marked by structural changes, with shipbuilders in South Korea, Poland and China increasing their market shares. China is likely to further strengthen its position. Nissho Iwai intends to continue to serve the industry by offering a combination of competitive shipbuilding, cargo arrangement and finance capabilities.

The Marine & Offshore Engineering Department's global operation deals with offshore oil and gas industries, harbor facilities and ship machinery. In Brazil, we concluded four financing contracts valued at US\$779 million during the past six years for floating production, storage and offloading (FPSO) projects. Recently, we finalized a US\$110 million financing for facilities to



store oil and other commodities in Angola. Since 1992, we have financed approximately US\$100 million in offshore oil projects in Mexico, and recently signed a US\$23 million credit agreement with a leading Mexican marine contractor to lay offshore pipes for PEMEX, Mexico's national oil company. We also financed US\$40 million for a project in the North Sea. In power barge activities based on BOO and BOT schemes, our first project was for the Philippine National Power Corp. (PNCP), and we are pursuing further projects in Asia and Latin America. We have contracted a container terminal project in Indonesia and are targeting additional projects, in Southeast Asia and Africa, on BOO and BOT schemes. And we have maintained a supply of low-speed diesel engines and other ship machinery to shipyards worldwide.

The Transportation Systems & Equipment Department boasts more than 30 years experience in the supply of rolling stock to customers in the United States, the United Kingdom and countries in Asia and Africa. To strengthen our product lineup, we are focused on such system-oriented projects as people-mover systems and high-speed rail programs, coupled with financing and lease packages. We have executed the construction of a people-mover system and power substations for the link to the new airport in Hong Kong and of a new transit system in Kuala Lumpur. We are aiming to establish a



Nissho Iwai helped the Boeing Company win orders for Boeing 777s from All Nippon Airways, Japan Airlines and Japan Air System.

freight car operation and leasing company in the Americas and are targeting a number of privatization programs for the national railways of South American countries. In the import of transportation equipment into Japan, we have been successful in introducing European-made railway equipment and Asian-made railway containers.

Aerospace Division

The Aerospace Division plays a vital role in optimizing and modernizing airline fleets by providing sales consulting, purchase leasebacks, financing and operating leases. Our global operations are expanding rapidly.

During the fiscal year under review, we provided sales consulting to the Boeing Company for an aircraft sale to Air Nippon Co., Ltd., a subsidiary of All Nippon Airways Co., Ltd. (ANA) and coordinated purchase contracts with ANA and Japan Airlines Co., Ltd. Our purchase leaseback operations permit such airlines to phase out their used aircraft smoothly and steadily. In addition, Sunrock Aircraft Corporation, an operating lease arm in Dublin, Ireland, enhances the Division's global activities through contacts with their international clients.

The Division provides invaluable services to Japan's defense industry and the Japanese government. As a major

supplier to the Japan Defense Agency, we represent most leading global defense contractors.

We are deeply involved in the space development business. In 1996, we made a significant contribution to the success of the ALFLEX program, a part of the reentry vehicle development project administered by Japan's NAL and NASDA. To strengthen our activities in space, we have been leading the SPAT group, a consortium of 30 leading Japanese corporations.

Information & Industries Division

Since its launch in 1995, the Personal Handy Phone System (PHS) business of the ASTEL Group, in which Nissho Iwai is a core member, has posted robust growth. We are also participating in the satellite mobile phone ICO (the former INMARSAT P) Project, scheduled to begin service in 1999.

In February 1997, Japan Satellite Systems, Inc., in which Nissho Iwai has a 23.5% stake, successfully launched the JCSAT-4 satellite, which will cover Asia, Australia and Hawaii. Nissho Iwai is also a key participant in PerfectTV, a 100-channel digital satellite broadcast service that began in the fall of 1996. PerfectTV also started a 105-channel radio broadcast service in the winter of the same year.

During the fiscal year under review, we expanded our CATV business and our goal is



The ALFLEX space vehicle (courtesy of NASDA)



Oct. 1st '96
PerfectTV!
START



NIFTY-Serve is a leading Internet service provider in Japan (above), lift off of the newest satellite, JCSAT-4 (left), PerfectTV started operations in October 1996 (right).

to construct a full-service interactive network through an optical-coax cable hybrid system. In addition, subscribers of NIFTY-Serve, established with Fujitsu Ltd., had reached 2.3 million as of March 1997. In the North American market, Nissho Iwai teamed up with SPRINT, a long-distance telecommunications carrier. In China, we contributed to the development of a telecommunications infrastructure through the supply of telephone switching equipment for more than 13 million lines. In the Central and South American markets, we have supplied an accumulated total of more than 450,000 mobile telephone lines to Brazil, and we are constructing a 110,000-line telephone network in Bogota in cooperation with Columbia's national telecommunications carrier.

In electronic-related systems, Nissho Iwai is the exclusive Japan sales agent for OpenText, a full-text Internet and Continuous Acquisition and Lifecycle Support (CALs) search engine developed by

OpenText Corporation of Canada. In May 1996, the two companies launched a search service able to provide full-text searches of home pages at World Wide Web sites throughout the world. We also provide ship-maneuvering simulators on a turnkey basis to the domestic market. These simulators are made by Advanced Marine Enterprises Inc. (U.S.A.) and incorporate ElectroHome Ltd.'s (Canada) projection system, which is handled by Nissho Electronics Corporation.

In the fields of medicine and social welfare, Nissho Iwai exports hospital equipment to countries all over the world through Official Development Assistance (ODA) provided by the Japanese government and through our own financing and leasing arrangements. We also import the latest diagnostic equipment, especially osteoporosis diagnostic equipment developed with U.S. and German medical equipment manufacturers, and supply cutting-edge medical equipment to domestic hospitals.

Osaka Machinery Division

Working in cooperation with domestic and foreign manufacturers, the Division's activities span a wide range of fields, such as plants for consumer products, sugar processing and general industrial production. We are targeting global markets, especially in Southeast Asia, Southwest Asia and China.

In the summer of 1996, the Division completed the construction of a plant in China to manufacture glass bulbs for color TVs in a joint project with Nippon Electric Glass Co., Ltd. Output will be marketed in China. In the spring of 1997, a polyester filament yarn manufacturing plant, the order of which was received jointly by Nissho Iwai, a Japanese producer and a South Korean producer, commenced operation in Indonesia.

During the term under review, Pakistan awarded a contract to the Division and GE Power Systems (U.S.) for a combined cycle generation facility, which is scheduled to be operational in mid-1998.



A polyester manufacturing plant in operation in Indonesia

CONSTRUCTION & REALTY GROUP

Sales of new condominiums were strong in the domestic market, supported by historically low interest rates and accelerated purchases ahead of an increase in the consumption tax. Overseas, the Group is working to realize a variety of large-scale development projects targeting the emerging markets of Asia.



Construction & Realty Division

The Division's major overseas projects during the fiscal year under review included the construction of a large-scale condominium complex and residential land development in Indonesia, the development of an industrial park in Vietnam and participation in a large-scale office building project in Hong Kong. Condominium development in Singapore

has become an important revenue source, with four projects — one already completed and others under construction. Efforts to expand business in the U.S. market are focused on residential projects, and we also participated in the development of an R&D complex near San Jose, California.

Our domestic condominium business includes five condominium projects in the Tokyo metropolitan area, such as Grandfine Kaga and Sophia Ohtahaginaka, and three projects in the Kansai region, such as



(from left)
Matamitsu Goto
Shiro Yasutake



Ritz Carlton in Hawaii



Four Seasons Regent Residences

Earthcity Seishin-Minami and Fleurer Utajima. In its residential land development and single-family housing businesses, Nissho Iwai began several small-scale housing construction and sales projects in 1996 in the Tokyo area, while continuing its progress on large-scale development projects in such areas as Izumi City, Osaka Prefecture and Akita City. Although the operating environment for our construction and real estate businesses remains unclear, our financial strength and credit stability will

support nine condominium projects in the Tokyo and Kansai areas during the current term. We are also active in new business areas, such as long-term leasing projects and home building.



Large-scale development project Grandline Kaga in Tokyo



ENERGY & CHEMICALS GROUP

Nissho Iwai contributes to stable long-term energy supplies through imports and sales of petroleum, gas, LNG, coal and nuclear fuel. During the fiscal year under review, we invested in exploration projects to secure our own sources of crude oil and we signed a joint venture agreement with Qatar General Petroleum Corporation, Mobil and other partners for the Ras Laffan project in Qatar. We continue to seek new opportunities to expand supply sources and try to bring projects on line.

We maintained our number one rank in the transactions of ceramics and minerals, and transactions in chemicals and plastic products were at the highest level in recent years. Based on a global product strategy for future growth, we invested in a cement company in Malaysia, in a methanol plant in Indonesia and in a fertilizer plant in Vietnam. To further expand our overseas business, we commenced a large-scale petrochemical project in Tuban, Indonesia.



Coal pulverization and loading facilities

Petroleum Division

To serve customers worldwide, Nissho Iwai has developed around-the-clock petroleum transaction capabilities at its offices in New York, London, the Middle East, Singapore and Tokyo.

To broaden our range of business in the petroleum field, we have entered into loan

agreements with South American and African countries to procure petroleum, begun offshore business on a term basis involving crude oil, naphtha and fuel oil, and participated in a project to produce and market industrial gas in Vietnam. The Petroleum Division also trades liquefied petroleum gas (LPG) through Nissho Iwai Petroleum Gas Corp. Downstream, we operate service stations through Nissho Iwai Petroleum Corp.

The Petroleum Division is committed to ensuring a stable supply of petroleum and to expanding its business based on a customer-oriented strategy.

Gas & Coal Division

Nissho Iwai has been a leader in Japan's

(back, from left)
 Yoshio Shimizu, Kinji Ueno, Kosaku Nakatani,
 Kan Baba, Kiyohiko Yoshida
(front, from left)
 Takaharu Tanabe, Toshihisa Kajiwara,
 Masamitsu Hiroumi





*Nuclear power facilities for the COGEMA Group in France (left)
full view of the Tokyo Yuso Corporation,
of which Nissho Iwai holds a 100% share
(right)*

liquefied natural gas (LNG) trade for two decades. Since our first delivery in 1977, we have transported nearly 4,200 shiploads, or approximately 245 million tons, from the Arun and Badak fields in Indonesia to Japanese electric and gas utilities and major manufacturing companies.

In the fiscal year under review, we imported almost 15 million tons, accounting for 33% of Japan's total LNG imports. This included LNG deliveries to medium-sized gas utilities, which began in March 1996 under a new contract with Indonesia. We signed a joint venture agreement with Qatar General Petroleum Corporation, Mobil and other partners for the Ras Laffan project in Qatar, which is planning to start operations in August 1999.

Nissho Iwai works closely with major

Japanese shipping companies and The Burmah Castrol Plc. (U.K.) in ocean transportation to provide stable LNG supplies. Demand for LNG is growing in Japan, and we are making every effort to increase the use of this clean energy source and to preserve our leadership position in this important market.

Our coal operations are also recording growth, buoyed by demand from domestic power utilities, which plan to add another 30 coal-fired power stations within 10 years. As a leading coal importer, Nissho Iwai develops new supply sources worldwide, including projects in Australia, China, South Africa, the United States and Indonesia. We also have equity stakes in Indonesian and Australian coal mines for the supply of coal to Japan and other Asian countries.

Nuclear Energy Division

Nuclear power is an important part of Japan's energy supply. It currently accounts for 30% of electricity generation and is expected to account for 43% by 2010. The Nuclear Energy Division meets the needs of Japan's nuclear sector with light-water and research reactors, safety technologies and a host of other equipment. The Division played a prominent part in introducing a British-made gas-cooled reactor for Japan's first commercial nuclear power station.

We represent major European and North American manufacturers in supplying nuclear power station safety and maintenance equipment and are active in assisting domestic power utilities to innovate new methods of maximizing safety. Advanced



Information Technology, Inc., our subsidiary specializing in software development for nuclear research organizations, represents Nissho Iwai in its efforts to expand into system integration.

In nuclear fuels, we are the agent for the COGEMA Group of France, which is involved in all phases of the nuclear fuel cycle, including transportation. Through this partnership, we have won supply contracts with all of Japan's electric power utilities. We recently began moving into new areas, notably overseas production and transportation of mixed-oxide fuel and supplying fuel enrichment, reprocessing equipment and waste storage facilities. To support our expansion into nuclear fuel transportation, we acquired Transnuclear Tokyo, Ltd.

Ceramics & Minerals Division

Nissho Iwai supports Japan's steel industry with imports of bauxite, magnesite, clay, chrome and other refractory materials and such additives as fluorspar and dolomite. We meet steel manufacturers' needs related to refractory bricks, including product imports,

manufacturing technology exports and the establishment of joint venture plants.

The Ceramics & Minerals Division contributes to environmental protection through expanded imports of light-burned magnesite, which promotes desulfurization, and through introducing alternatives to asbestos, a carcinogen. We also handle materials for advanced equipment, such as rare-earth elements for secondary batteries used in mobile telephones and portable computers and for auto catalyts.

Our cement sales companies are helping to restructure Japan's cement market and provide comprehensive customer support. Overseas, we plan to establish distribution bases, especially in the promising markets of China and Southeast Asia.

The Division is participating in the exploration of mineral sources in Vietnam and is setting up the infrastructure to import ilmenite, agalmatolite, fluorspar, kaolin, granite and other materials.

We are globalizing our sales network to boost our market position as a mineral trader, with efforts focused on products from a mineral sands mine in Australia.

Inorganic & Fine Chemicals Division

The Division consists of three departments: Inorganic Chemicals & Fertilizer, Fine Chemicals, and Osaka Chemicals. Major products include fertilizer, Australian salt, ethylene dichloride (EDC), chlor-alkali, titanium dioxide, glass raw materials, catalysts, high-purity chemicals, pharmaceuticals, agrochemicals and intermediates, and natural products.

Since last year, the Division has designated fertilizer, agrochemicals and chlor-alkali including EDC as strategic commodities and established global and regional strategies, including strategic business alliances, for these three products. In fertilizers, the Division is developing joint ventures in China and the Americas, each with an annual production capacity between 300,000 and 500,000 tons, in addition to its joint ventures in Thailand, the Philippines and Vietnam. In agrochemicals, the Division established a marketing joint venture in Taiwan in 1996 and is preparing to establish marketing companies in the United States,



A bird's-eye view of mineral sands mine operations in Gungahdup, WA, Australia (above), a full view of TCCC's Thai Central Chemical factory (right)

Overview of Polytama Propindo's production facilities as dusk falls (right), various petrochemical products (below)



Europe and Australia. In chlor-alkali, the Division is promoting the establishment of new production and marketing joint ventures in the Middle East and Southeast Asia and is developing Brazilian-made products for the Japanese and Southeast Asian markets.

For these three strategic commodities, the Division aims to invest in more than 10 projects worldwide and to increase sales by approximately US\$540 million by the year 2000. Overall, the Division's goal is to raise sales by nearly US\$800 million to reach the US\$3 billion mark by 2000.

Organic Chemicals & Plastics Division

Amid ongoing globalization of the petrochemical industry, the Division endeavors to expand business by winning new customers, creating new markets in high-growth regions, especially China and Southeast Asia, and creating new projects.

In accordance with this plan, in December 1996 Nissho Iwai acquired



National Pipe & Plastics Inc. (headquartered in New York state), the 10th largest polyvinyl chloride (PVC) pipe producer in the United States, and began producing and marketing PVC pipes in the United States. In January 1997, we signed an agreement with an Indonesian company to participate in a project to establish Indonesia's largest chemical manufacturing complex. With output of basic chemicals expected to exceed three million tons per year, we aim to develop a wide range of derivative product businesses.

The Division has demonstrated its effectiveness and is working vigorously in all areas of the industry, both in upstream and downstream operations.

Energy Project Development Office

Nissho Iwai is promoting LNG projects at gas fields in Southeast Asia and the Middle East to supply the Japanese and other Asian markets, where tremendous demand is expected in the 21st century.

The Office is working to boost its share of Japan's LNG market, which is currently 33%, by meeting the needs of Japanese purchasers. To secure our own oil and gas sources, we

are exploring and developing oil and gas fields in cooperation with companies in Indonesia, China, the Middle East and South America.

For the downstream oil business, we plan to build new oil facilities in Asia to meet with growing demand of oil products.

In China, we are constructing an LPG receiving terminal for the Chinese market, where demand for LPG is expected to grow rapidly.

Coal Liquefaction Project

Since 1980, Nissho Iwai has been involved in a coal liquefaction project with Kobe Steel, Ltd., Mitsubishi Chemical Corp., Idemitsu Kosan Co., Ltd. and Cosmo Oil Co., Ltd. as partners. The project aims to develop a process for producing liquid fuel from Australian brown coal as part of the Ministry of International Trade and Industry's Sunshine Project.

At an R&D testing facility in Japan, we are working to commercialize brown coal processing by the early 21st century and to identify potential applications, through technological cooperation, for related technologies in such countries as Indonesia and China.



Analytical laboratory for a coal liquefaction project

FOODS, TEXTILE & GENERAL COMMODITIES GROUP

This Group handles products related to people's lifestyles in the areas of food, apparel and household items. It consists of five Divisions: Wood Products, General Commodities, Paper and Pulp, Textiles, Foodstuffs and Food Products. We strive to engage in business, provide ideas, and handle goods that meet contemporary needs throughout the world — from afforestation projects and the import of grains, cereals and sugar to the trading of such sporting goods as Nike brand merchandise.



Nike brand sports shoes enjoy a global boom in sales.

Wood Products Division

The Division imports log, lumber and wooden housing materials from all over the world. It maintains an industry-leading position and is focused on offshore trading with such countries as China, South Korea and Thailand. In response to the world trend toward the exportation of finished

products and to expand transactions of wood housing materials, such as plywood and fiberboard, we were quick

to establish the Lumber and Plywood Department. In lumber-producing countries, Nissho Iwai is engaged in a wide range of activities, including environmental protection and industrialization policy support and cooperation.

In June 1990, we organized Juken Nissho Ltd. in New Zealand to produce plywood, fiberboard and laminated lumber from resources supplied by our own afforestation projects. In Papua New Guinea, we founded Stettin Bay Lumber Co., Pty. Ltd. (SBLC) in cooperation with the government. SBLC is active in infrastructure projects such as roads and bridges that are focused on the development of regional communities and simultaneously enhance lumber operations and afforestation.

We have also begun a plywood business

*(back, from left)
Teruo Matsumura, Mitsushi Kishimoto,
Tomoyoshi Kondo, Akio Toshikiyo
(front, from left)
Masayoshi Toriumi, Shoichi Tanaka*





*(left to right) Juken Nissho (NZ) Ltd.'s Gisbon factory,
pine afforestation project site in Southern Australia*



*NCN's three-story
wooden house*



Philip Morris products hold the number one share of imported tobacco brands in Japan.

in the state of Sarawak, Malaysia, by establishing a medium-density fiberboard (MDF) manufacturing plant as well as a secondary-process fabrication plant to produce such items as doors and cabinets. This project is expanding into a comprehensive wood-processing industrial complex.

In China, Juken Nissho (Shanghai) Co., Ltd. was established in April 1996 and began making housing materials. The company plans to export wood products to tertiary countries, especially Japan, and to tap the vast Chinese housing market.

We are vigorously expanding our integrated operations in Japan, from wood materials to houses. Deregulation is driving demand for three-story wooden houses, so we established NCN (New Constructor's Network) in December 1996 to market and

construct three-story earthquake-resistant houses.

General Commodities, Paper & Pulp Division

This Division handles consumer goods, paper and pulp-related products.

We mainly import and export a broad variety of consumer products, including such sporting goods as Nike shoes and apparel, Philip Morris brand cigarettes, audiovisual equipment and other consumer electronics, tires and automobile parts, and raw and finished leather. Our sales and marketing for such products spans the globe, from North and South America to the Middle East, Europe and Asia, including Japan.

During the fiscal year under review, Nike

brand sporting goods enjoyed strong sales, supported by the "Nike boom," and Nike Inc.'s sales reached an all-time high. Nissho Iwai is the western Japan agent for Philip Morris cigarettes, the number one imported brand in Japan. Sales of Philip Morris cigarettes increased 4%, and the company is targeting a market share of 20% in Japan by the year 2000.

In January 1997, Nissho Iwai established a eucalyptus afforestation and woodchip production joint venture with Oji Paper Co., Ltd. and Toppan Printing Co., Ltd. In February 1997, we commenced imports of woodchips from Australia, adding to our existing import operations from Vietnam and China.



Textile Division

The Division markets numerous textile and related products, ranging from such basic materials as wool and synthetic fibers to fabrics and knits made from cotton, synthetic fibers and silk, as well as apparels, bed linens, interior fabrics and related materials. Our broad-based activities encompass exports, imports, domestic sales and offshore transactions. We have representatives in more than 20 overseas locations serving three major bases in Hong Kong, Milan and New York and are continuing to expand our operations globally.

Our focus in recent years has been on expanding imports and apparel transactions, and we continue to build apparel production bases, especially in Vietnam and China, to respond to the overseas shift of production facilities. Our principal imports during the year from Vietnam were aprons, children's clothing and, especially, men's jackets; from

China, casual clothes were imported from a network of approximately 100 factories.

In the future, we will intensify our efforts in creating top-of-the-line factories and strengthening inspection systems. The Division is reinforcing its organization based on the themes of aggressively pursuing investment and finance projects, striving to win new contracts for brand products, expanding offshore transactions and bolstering our consultative marketing capabilities for materials.

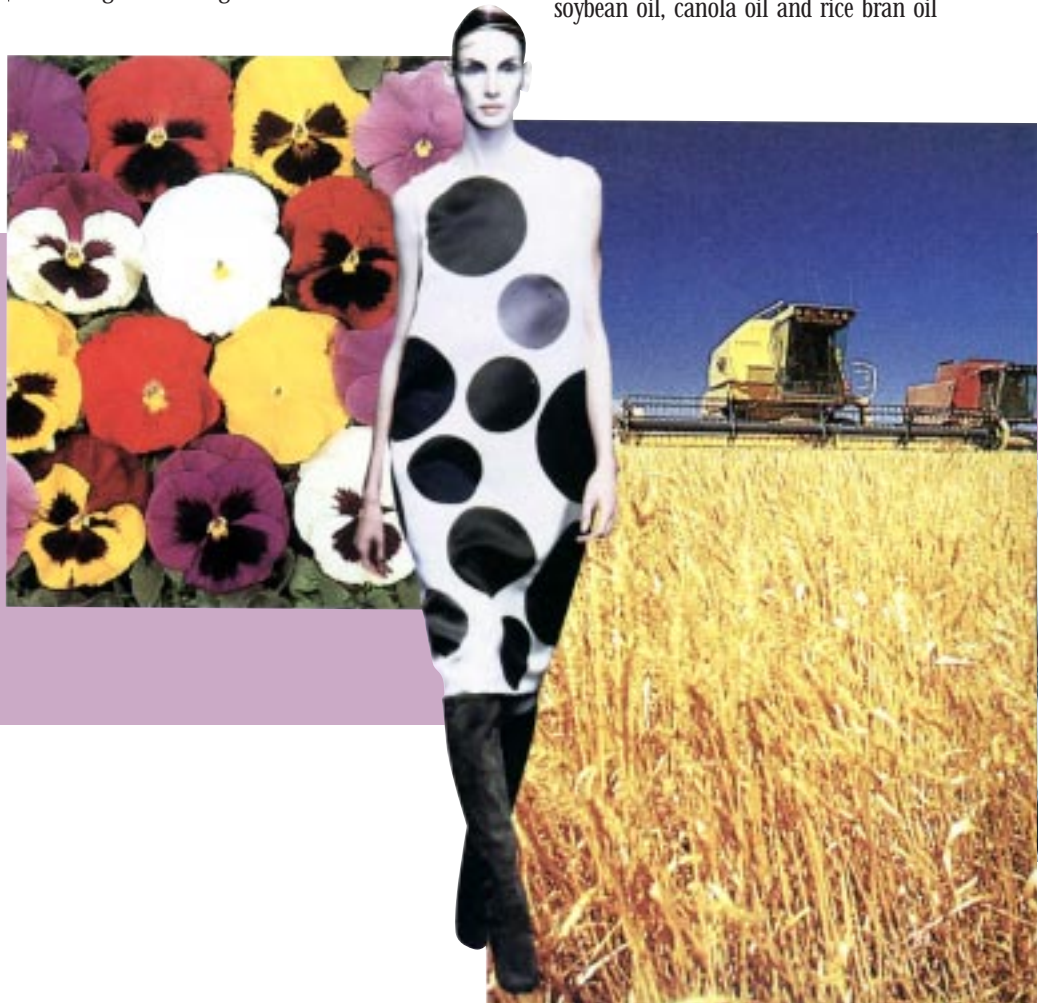
Foodstuffs Division

Nissho Iwai's Foodstuffs Division focuses on imports, exports, and domestic and offshore transactions in an array of products, ranging from grains, feedgrains, oil and fats and

their raw materials, meat and poultry products, composite gardening products and plant seeds.

In grains, feedgrains, oil and fats and their raw materials, Nissho Iwai is one of the top trading companies in wheat transactions with imports to Japan and offshore trading. We are creating innovative businesses to meet new demand with soybean cultivation contracts and the global development of import sources for organic soybeans, rice and wheat flour. Efforts are concentrated on importing corn for compounders and wet millers as well as soybeans and canola seed for the crusher industry. We are promoting the import of palm oil through the use of tank terminals and we handle animal fats as well as various vegetable oils, including soybean oil, canola oil and rice bran oil

(left to right) Nissho Iwai's Foodstuffs Division holds the top share of the world market for pansy flowers. Nissho Iwai is promoting the Balenciaga brand in the Japanese market. Nissho Iwai is one of the top trading companies in transactions of wheat and fresh tuna.



for food and industrial use.

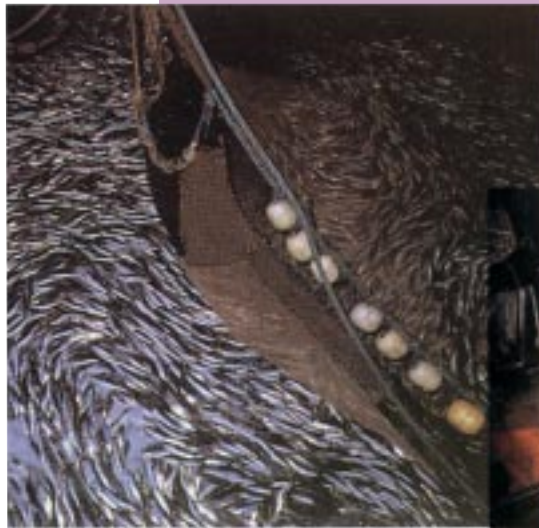
In meat and poultry products, the Division imports high-quality, safe meats and has been investing in major domestic livestock and poultry producers to support stable production and sales. In gardening products and plant seeds, the Division is developing its seed business through joint ventures worldwide.

To respond to changes in the operating environment caused by deregulation, globalization, diversifying demand and reform of the distribution system, the Division is vigorously pursuing tie-ups with leading overseas Chinese merchants, major supermarkets and discount stores. During the fiscal year in review, notable examples included participation in bread and noodle production businesses in the United States and Indonesia.

Food Products Division

The Division's transactions are focused on such food ingredients as general foodstuffs, marine products and raw sugar.

In general foodstuffs, our beverage business is growing steadily as we expand



sales of Brazilian-made orange juice to Japan, China and South Korea, and imports of green tea produced in Vietnam. In anticipation of market trends toward greater health consciousness among consumers, we began full-scale imports of organically grown vegetables from the United States, New Zealand and Holland ahead of other general trading companies. Global demand for marine products is expanding, and Nissho Iwai, in addition to its established business of frozen tuna for sashimi use, is striving to secure stable sources by investing in and financing overseas projects such as mackerel from Norway, cod roe from Russia, pink shrimp from Iceland and meruluzza products from Peru. In major cities throughout Japan, we are also building a retail network for fresh tuna, which we fly in from Indonesia, Guam and Vietnam. We have established stable supplies of raw sugar, principally from Thailand, Cuba, Fiji and South Africa. The Division handles 40% of Japan's raw sugar

imports, mainly for its affiliated sugar refineries, and is working to expand sugar sales in other parts of Asia.

Domestically, the Company is currently focused on setting up a retail distribution network and is exploring the possibility of offering commissioned logistics services.



FINANCIAL PRODUCTS & PRECIOUS METALS GROUP

With interest rates on short-term yen-denominated securities at historically low levels, below 1%, the yen weakened against other major currencies and the domestic equity markets entered a sharp downward correction. The Division responded to opportunities resulting from volatility in the financial markets and trading transactions climbed 32% over the previous term. We invested to upgrade our market information network and computer systems and to expand our dealing room.



The dealing room at the Nissho Iwai headquarters building



Financial Products Division

The Division's operations are centered on currency trading and bond dealing, derivatives transactions and securities investment in global markets. Our trading operations extend from major financial markets, including those in Japan, the United States and Germany, to the emerging markets of Asia, a region with the world's highest growth rates, Russia and Eastern Europe, which are rapidly converting to market economies, and Latin America, where countries are noted for remarkable improvements in economic fundamentals.

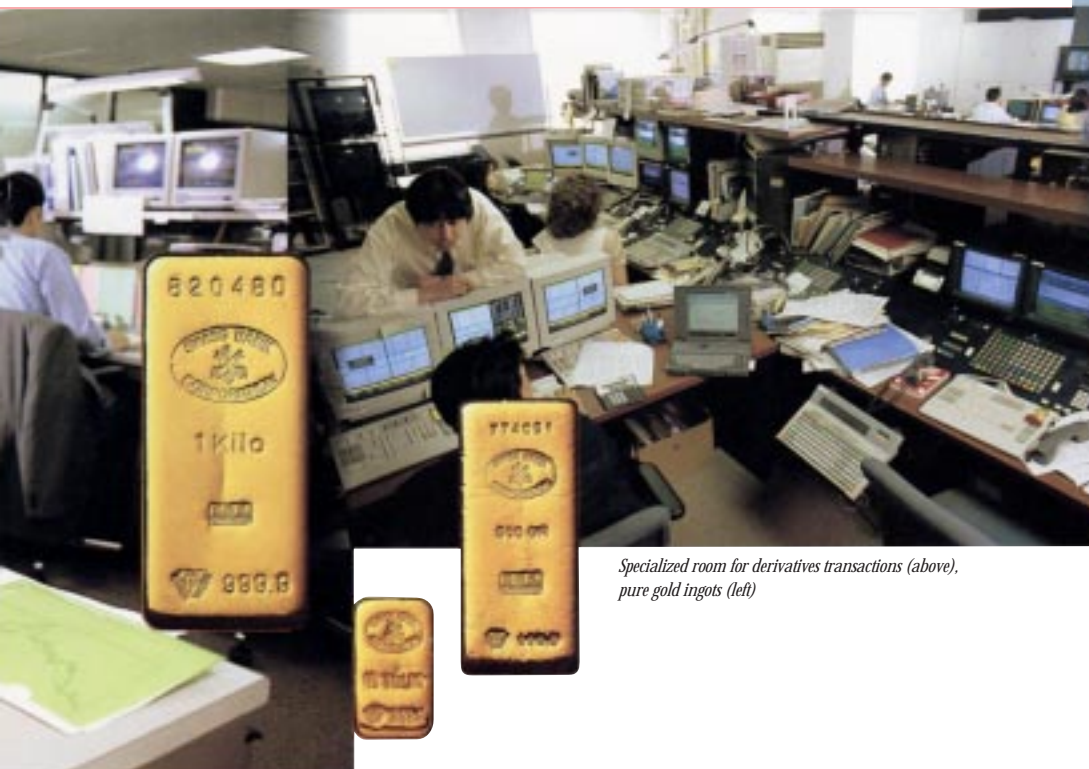
In October 1996, we established a finance subsidiary in Singapore, strengthening our tri-polar position in the global

marketplace. We are now focused on building a flexible investment style with parameters that are not limited to specific markets or financial products. We aim to concentrate capital in markets and investment vehicles with the highest expected rates of return based on extensive research, analysis and risk clarification.

The investment environment during the term was extremely difficult, characterized by historically low interest rates, below 1%, on short-term yen-denominated securities. Other factors included a sharp reversal of the yen's rapid appreciation. The Nikkei 225 Index stood at 18,000 at fiscal year-end, down from above 22,000 in June 1996. The Division, however, achieved stable profits by

*(from left)
Katsumi Yoshioka
Keizo Hibino*





*Specialized room for derivatives transactions (above),
pure gold ingots (left)*



*The Precious Metals Division
also handles jewelry.*

minimizing risk through appropriate hedging transactions.

In the current term, we aim to further expand profit opportunities and achieve dynamic business development by making full use of sophisticated investment techniques based on extensive information, advanced risk analysis and a flexible investment stance.

Precious Metals Division

The Division markets such precious metals as gold, silver, platinum and palladium for industrial use, jewelry and investments. Our diverse transactions include precious-metals leasing and hedging orders for mining companies. We are also engaged in precious-

metals price making in international markets and the buying and selling of precious metals with foreign dealers. Moreover, the Division buys and sells precious-metals futures and engages in arbitrage trading on the Tokyo Commodity Exchange.

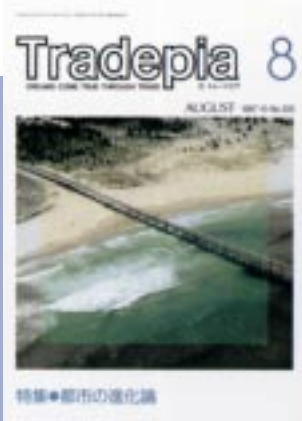
We are also planning, designing and marketing commodity funds. These vehicles are gradually being deregulated, and we see the potential for explosive growth in the market. Through cooperation with Stamford Capital Management Inc., a wholly owned subsidiary in the United States, we keep on top of global trends in commodity funds.

We market gold coins, such as the Eagle Coin (U.S.) and the Maple Leaf (Canada)

and are especially active in managing gold accumulation plans, which are said to have played a major role in the domestic gold boom. We also do mail-order sales of health food products such as royal jelly and Korean ginseng.

Nissho Iwai Futures Inc., a subsidiary established in October 1996, took over from the Division precious-metals futures general customer services. In April 1997, this subsidiary began general customer brokerage services for a diverse range of futures trading, including rubber futures on the Tokyo Commodity Exchange, futures on imported soybeans and corn futures on the Tokyo Grain Exchange.

TRADEPIA



Nissho Iwai's public relation magazine Tradepia



Nissho Iwai's home page <http://www.nisshoiwai.co.jp/>



Plan International's project provides children with school supplies.

TRADEPIA, the combination of “trade” and “utopia,” embodies Nissho Iwai Corporation’s corporate philosophy of “contributing to world peace and prosperity through trade.”

Nissho Iwai first used the term TRADEPIA twenty-seven years ago as part of its corporate philosophy. Nissho Iwai was established upon the 1968 merger between the Nissho Company and Iwai & Co., two companies with long histories and traditions. Nissho Iwai then began publishing its public relations magazine Tradepia in October 1970 to promote its goal of “contributing to the world through trade.”

Tradepia is a Japanese-language journal that introduces the life and culture of peoples around the world. Nissho Iwai gathers and edits wide-ranging information collected from bases operating in 154 overseas cities worldwide, then publishes Tradepia to “give information back to society.” Thus, Tradepia is not a vehicle for Nissho Iwai’s business activities. Rather, its purpose is to deepen Japanese understanding of the world.

Tradepia has strictly adhered to its

principle of giving information back to society throughout its 27-year history. Its informative content has won it a long-standing, eminent reputation. One key to this success is “World Report,” a series of monthly reports contributed by Nissho Iwai employees living overseas. The “World Report” series has been a regular feature of Tradepia since its first issue and forms the core of the magazine. Tradepia’s example has led to a library of over 30 books that Nissho Iwai has had published. The success of Tradepia and these books have made Nissho Iwai a leader in corporate publishing in Japan.

Tradepia Club is another way in which Nissho Iwai contributes to society. Nissho Iwai employees organized this volunteer activity group in 1993; it is thus an outgrowth of the employees’ own interests. Nissho Iwai supports the club financially and in other ways.

The central concepts behind the Tradepia Club activities are global environmental conservation and aid to the world’s underprivileged children. To pursue these

goals, the Tradepia Club engages in two intracompany fund-raising efforts a year, one in summer and one in winter. Nissho Iwai contributes by matching the money raised through these efforts. With these funds, the Tradepia Club has supported UNICEF, Plan International (a nongovernmental organization providing development aid for children in developing nations), and the Association of Medical Doctors for Asia (AMDA), a nongovernmental organization providing relief and medical assistance to Asian refugees.

Moreover, in conjunction with a major credit card company, the Tradepia Club issues an original credit card that enables the credit card company to return 0.5 % of total card sales to the Tradepia Club every few months. The same amount is then donated by the Club to Conservation International, an organization working toward global environmental protection.

Through activities like these, Nissho Iwai is striving toward creation of a true “Tradepia.” “World Report” is also published as a database on our home page, allowing data to be viewed by geographic area.

FIVE-YEAR FINANCIAL SUMMARY

Years ended March 31

	Millions of yen				
	1997	1996	1995	1994	1993
Results of operations:					
Total trading transactions					
Export	¥ 1,178,414	¥ 1,026,273	¥ 1,025,081	¥ 1,139,234	¥ 1,073,766
Import.....	1,958,100	1,793,886	1,998,920	1,879,618	2,627,322
Offshore	2,088,886	2,097,469	2,713,281	2,630,697	2,986,309
Domestic.....	3,664,019	4,530,367	4,283,187	4,651,209	3,948,690
Total	8,889,419	9,447,995	10,020,469	10,300,758	10,636,087
Gross trading profit	278,538	255,683	255,362	254,809	216,129
Net income (loss)	15,421	(25,046)	5,237	10,731	3,247
Financial position at year-end:					
Total assets.....	¥ 5,414,490	¥ 5,002,657	¥ 4,899,437	¥ 4,698,050	¥ 4,720,777
Long-term debt, less current portion	1,617,304	1,493,967	1,379,246	1,277,945	981,845
Total shareholders' equity	270,937	213,806	243,548	241,319	234,045
Per share amounts					
	Yen				
Net income (loss)	¥ 18.38	¥ (31.94)	¥ 6.68	¥ 13.69	¥ 4.14
Cash dividends.....	5.00	5.00	5.00	5.00	5.00

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Scope of Consolidation For the fiscal year under review, ended March 31, 1997, 333 subsidiaries were consolidated, compared with 317 for the previous term. In addition, 18 subsidiaries and 165 affiliates were accounted for with the equity method, compared with 16 subsidiaries and 157 affiliates a year earlier.

RESULTS OF OPERATIONS

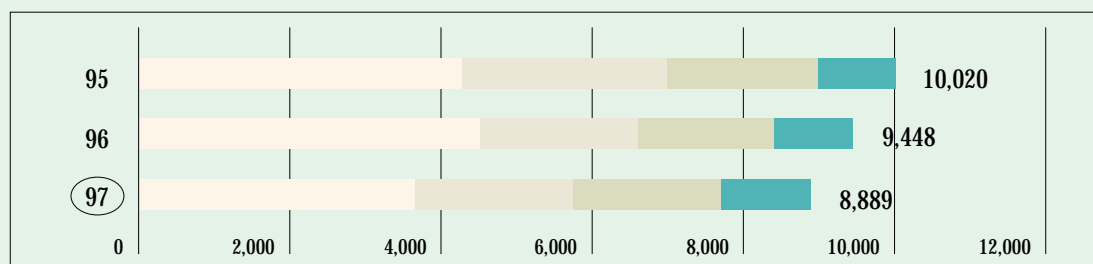
Analysis of Net Sales Owing to a change in the method of accounting for precious metals dealings transactions, net sales (total trading transactions) were ¥8,889 billion, a decline of 5.9%. Excluding the effects of this change in accounting method, net sales grew by an effective rate of 13.0%. For details on the accounting change, see Note 2 of the Notes to Consolidated Financial Statements.

By trade category, exports grew 14.8% to ¥1,178 billion, or 13.3% of net sales. Growth came mainly from machinery exports.

Imports increased 9.1% to ¥1,958 billion, comprising 22.0% of net sales. Growth was due primarily to a sharp rise in the import of LNG and crude oil.

Offshore transactions contributed net sales of ¥2,089 billion, a decline of 0.4%, or ¥9 billion. This decline was due to the change in accounting for precious metals dealing, which had a negative impact of ¥764 billion on this trade category. Strong performance was recorded for machinery, general

Transactions by Type of Trade (Billions of yen)



Domestic Offshore Import Export

	1997		1996		1995
	(Billions of yen)	(%)	(Billions of yen)	(%)	(%)
Export.....	¥1,178	13.3%	¥1,026	10.9%	10.2%
Import.....	1,958	22.0	1,794	19.0	20.0
Offshore.....	2,089	23.5	2,098	22.2	27.1
Domestic.....	3,664	41.2	4,530	47.9	42.7
Total.....	¥8,889	100.0%	¥9,448	100.0%	100.0%

The effect of the change of accounting method for precious metals dealing transactions was to decrease offshore transactions by ¥764 billion and domestic transactions by ¥1,017 billion for the year ended March 31, 1997.

commodities and energy transactions.

Domestic transactions were ¥3,664 billion, a decline of 19.1%, or ¥866 billion. The change in accounting for precious metals dealing had a negative impact of ¥1,017 billion on this trade category. Areas that recorded favorable performance included information services.

By commodity type, metal sales were ¥2,218 billion, down 43.6%, or by ¥1,712 billion. The change in accounting for precious metals dealing transactions had an adverse impact on metals transactions of ¥1,782 billion.

Machinery and construction sales surged 19.5% to ¥2,416 billion. Major factors behind this growth were ships, automobiles, information equipment and overseas construction projects.

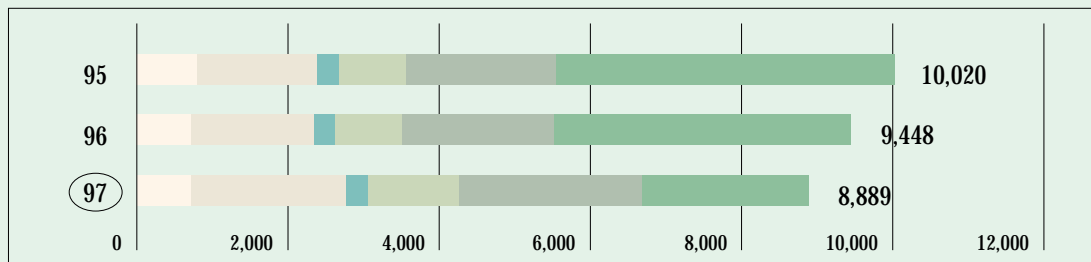
Energy sales climbed 36.4% to ¥1,204 billion owing to higher levels of imports and offshore trading of crude oil and imports of LNG.

Sales of textiles increased 6.9% to ¥295 billion.

Sales of general commodities climbed 26.4% to ¥2,052 billion. Transactions in lumber, Nike products and chemicals made major contributions to the category.

Sales of foodstuffs edged down 1.4% to ¥704 billion.

Transactions by Type of Commodity (Billions of yen)



Foodstuffs General Commodities Textiles Energy Machinery Metals

	1997		1996		1995	1997/1996
	(Billions of yen)	(%)	(Billions of yen)	(%)	(%)	(% change)
Metals*	¥2,218	25.0%	¥3,930	41.6%	44.7%	-43.6%
Machinery**	2,416	27.2	2,021	21.4	19.9	19.5
Energy	1,204	13.5	883	9.3	8.8	36.4
Textiles	295	3.3	276	2.9	2.9	6.9
General Commodities**	2,052	23.1	1,624	17.2	15.8	26.4
Foodstuffs	704	7.9	714	7.6	7.9	-1.4
Total	¥8,889	100.0%	¥9,448	100.0%	100.0%	-5.9%

*The change of accounting method for precious metals dealing transactions decreased metals transactions for the year ended March 31, 1997 by ¥1,782 billion.

**Machinery transactions include construction; general commodities transactions include wood products and chemicals.

Analysis of Net Income

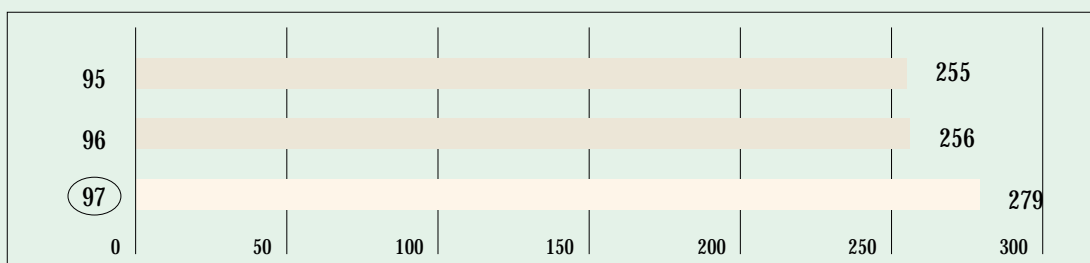
Cost of sales declined 6.3% to ¥8,610.9 billion. This decline included the effects of the change in accounting method for precious metals transactions. Gross trading profit increased 8.9% to ¥278.5 billion, and the gross trading profit ratio improved 0.42 percentage point to 3.13%. Growth in selling, general and administrative expenses was limited to 6.8%. Due to the above factors, operating income grew 20.8% to ¥48.2 billion.

Interest and dividend income increased ¥6.5 billion to ¥103.0 billion, while interest expense increased ¥4.3 billion to ¥111.8 billion. Income before income taxes was ¥27.7 billion. During the previous term, the Company recorded a loss before income taxes of ¥18.5 billion, which was largely the result of losses on the dissolution of subsidiaries and affiliates and on the disposal of fund trust investments. Management believes that these measures contributed to a stronger balance sheet and more profitable operations on a Group basis.

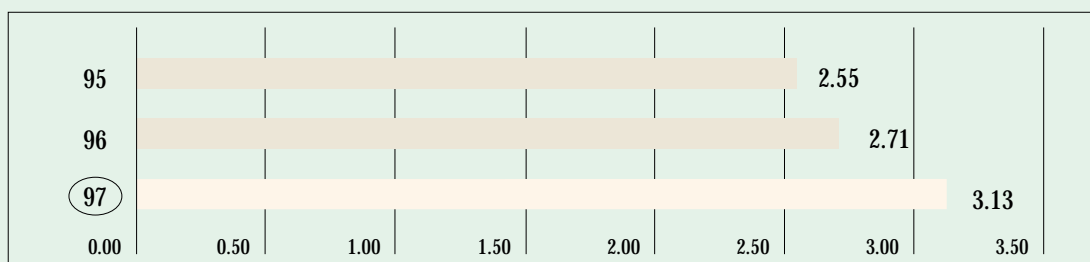
Income taxes were ¥14.0 billion. Although the tax liability of the parent company was offset by a tax-loss carry forward related to the net loss recorded during the previous term, tax accounting in Japan is on a nonconsolidated basis. The consolidated effective tax rate was 51%. Equity in earnings of unconsolidated subsidiaries and affiliates increased from ¥965 million during the previous term to ¥1.7 billion.

Net income for the term was ¥15.4 billion, compared with a net loss of ¥25.0 billion a year earlier. Shares outstanding increased by 90 million shares to 874,432 thousand as a result of the August 1996 public offering. Net income per share was ¥18.38 (¥17.04 on a diluted basis). Management maintained cash dividends of ¥5.00 per share.

Gross Trading Profit (Billions of yen)



Gross Trading Profit Ratio (%)



LIQUIDITY AND FINANCIAL RESOURCES

Analysis of Cash Flows

Net cash used in operating activities was ¥63.9 billion. The largest use of cash in this category was a ¥72.4 billion increase in inventories.

Net cash used in investing activities was ¥202.4 billion. The largest use of cash in this category was payments for purchase of securities of ¥481.4 billion, which was partially offset by ¥399.5 billion in proceeds from sale of securities. A decrease in long-term loans receivable provided cash of ¥152.8 billion, while the additions to long-term loans receivable used cash of ¥215.0 billion.

Net cash provided by financing activities was ¥160.2 billion. Proceeds from issuance of bonds were ¥246.5 billion, which included ¥67.4 billion in convertible bonds. Proceeds from other long-term debt were ¥221.2 billion, and proceeds from issuance of stock were ¥46.0 billion. Redemption of bonds used cash of ¥108.8 billion and repayments of other long-term debt used cash of ¥192.0 billion.

In aggregate, cash and cash equivalents at the end of year decreased ¥102.2 billion to ¥142.7 billion.

Analysis of Financial Position

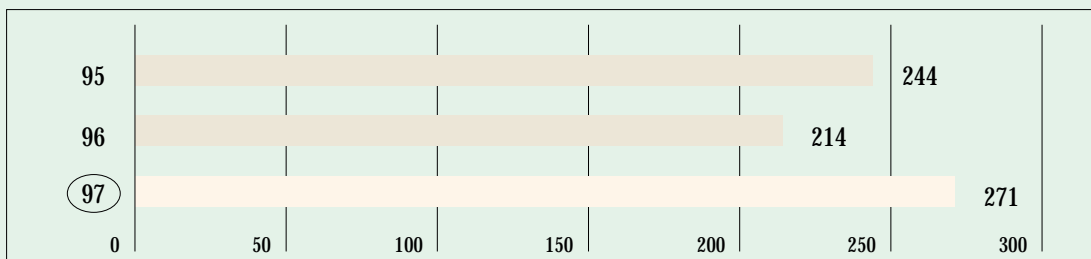
The decrease in cash was offset by higher levels of marketable securities, inventories and other items, leading to a 5.0% increase in total current assets to ¥3,770.7 billion. At the same time, total current liabilities grew 7.1% to ¥3,477.0 billion. Consequently, net working capital decreased 14.8% to ¥293.7 billion.

Investments and non-current receivables grew 20.8% to ¥1,185.0 billion, and property and equipment, at cost, less accumulated depreciation, rose 6.5% to ¥353.4 billion. Total assets increased 8.2% to ¥5,414.5 billion.

Interest-bearing debt (short term debt, commercial paper, current portion of long-term debt and long-term debt less current portion) increased ¥304.8 billion to ¥3,782.2 billion.

Total shareholders' equity rose 26.7% to ¥270.9 billion, owing to the public offering during the term and a higher level of retained earnings. Return on equity for the fiscal year was 6.4%.

Total Shareholders' Equity (Billions of yen)



CONSOLIDATED BALANCE SHEETS

March 31, 1997 and 1996

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	1997	1996	1997
Current assets:			
Cash and cash equivalents	¥ 142,704	¥ 244,902	\$ 1,150,839
Time deposits (Note 4)	52,490	49,676	423,306
Marketable securities (Notes 3 and 4)	923,196	826,560	7,445,129
Fund trust investments	127,561	127,368	1,028,718
Receivables:			
Trade notes (Note 4)	451,617	485,295	3,642,072
Trade accounts (Note 4)	1,167,676	1,054,741	9,416,742
Loans	231,812	186,019	1,869,452
Unconsolidated subsidiaries and affiliates	64,027	71,540	516,347
Allowance for doubtful receivables	(11,889)	(10,402)	(95,879)
Inventories	407,630	323,610	3,287,339
Advance payments to suppliers	71,131	86,186	573,637
Other current assets	142,740	144,254	1,151,129
Total current assets	3,770,695	3,589,749	30,408,831
Investments and non-current receivables:			
Investment securities (Notes 3 and 4)	405,313	341,471	3,268,653
Investments in and advances to unconsolidated subsidiaries and affiliates	139,568	88,851	1,125,548
Long-term loans and receivables	683,855	590,919	5,514,960
Allowance for doubtful receivables	(43,730)	(40,564)	(352,661)
Total investments and non-current receivables	1,185,006	980,677	9,556,500
Property and equipment, at cost (Note 4):			
Land	115,283	114,979	929,702
Buildings and structures	144,329	132,330	1,163,944
Equipment and fixtures	231,015	209,310	1,863,024
Construction in progress	13,164	12,472	106,161
Accumulated depreciation	(150,390)	(137,366)	(1,212,823)
Total property and equipment, at cost	353,401	331,725	2,850,008
Other assets:			
Foreign currency translation adjustments	60,833	51,339	490,589
Intangible assets and deferred charges	44,555	49,167	359,314
Total other assets	¥5,414,490	¥5,002,657	\$43,665,242

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	1997	1996	1997
Current liabilities:			
Short-term debt, principally unsecured (Notes 4 and 5).....	¥1,402,755	¥1,423,572	\$11,312,540
Commercial paper	446,994	368,806	3,604,790
Current portion of long-term debt (Notes 4 and 5).....	315,121	190,998	2,541,298
Payables:			
Trade notes	323,119	401,983	2,605,798
Trade accounts	741,738	655,228	5,981,758
Unconsolidated subsidiaries and affiliates	13,060	13,633	105,323
Accrued liabilities	39,193	34,168	316,073
Income taxes payable	8,834	5,475	71,242
Advances received from customers.....	69,623	65,002	561,476
Other current liabilities.....	116,584	86,199	940,194
Total current liabilities.....	3,477,021	3,245,064	28,040,492
Non-current liabilities:			
Long-term debt less current portion (Notes 4 and 5).....	1,617,304	1,493,967	13,042,774
Employees' retirement benefits	9,109	9,603	73,460
Deferred income and other.....	13,730	14,493	110,726
	1,640,143	1,518,063	13,226,960
Minority interests in consolidated subsidiaries.....	26,389	25,724	212,815
Contingent liabilities (Note 9)			
Shareholders' equity:			
Common stock, par value ¥50 per share (Note 6).....	102,938	79,898	830,145
Additional paid-in capital (Note 6).....	98,890	75,940	797,500
Retained earnings:			
Legal reserve (Note 6)	9,197	8,782	74,169
Unappropriated	59,914	49,188	483,177
Treasury stock	(2)	(2)	(16)
Total shareholders' equity.....	270,937	213,806	2,184,975
	¥5,414,490	¥5,002,657	\$43,665,242

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 1997, 1996 and 1995

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1997	1996	1995	1997
Net sales (Total trading transactions) (Note 8).....	¥8,889,419	¥9,447,995	¥10,020,469	\$71,688,863
Cost of sales (Note 8).....	8,610,881	9,192,312	9,765,107	69,442,589
Gross trading profit.....	278,538	255,683	255,362	2,246,274
Selling, general and administrative expenses	230,351	215,783	213,498	1,857,669
Operating income.....	48,187	39,900	41,864	388,605
Other income (expenses):				
Interest and dividend income.....	102,969	96,484	92,610	830,395
Interest expense.....	(111,813)	(107,479)	(117,728)	(901,718)
Gain on sale of securities.....	229	19,005	10,853	1,847
Gain (loss) on disposal of properties.....	(804)	2,781	7,249	(6,484)
Loss on withdrawal from certain foreign operations.....	(265)	(1,721)	(1,850)	(2,137)
Foreign currency translation adjustments.....	—	1,353	(353)	—
Loss on the dissolution of subsidiaries and affiliates.....	(1,094)	(18,350)	(1,496)	(8,823)
Loss on disposal of fund trust investments.....	—	(35,293)	(8,570)	—
Other, net.....	(9,676)	(15,140)	(5,345)	(78,032)
Income (loss) before income taxes	27,733	(18,460)	17,234	223,653
Income taxes	13,986	7,551	14,575	112,790
Equity in earnings of unconsolidated subsidiaries and affiliates	1,674	965	2,578	13,500
Net income (loss)	¥ 15,421	¥ (25,046)	¥ 5,237	\$ 124,363
		Yen		U.S. cents
Net income (loss) per share.....	¥ 18.38	¥ (31.94)	¥ 6.68	14.82c
Net income per share – diluted.....	17.04	—	—	13.74

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended March 31, 1997, 1996 and 1995

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1997	1996	1995	1997
Common stock (Note 6):				
Balance at beginning of year.....	¥ 79,898	¥ 79,869	¥ 79,869	\$644,339
Issuance of common stock.....	23,040	—	—	185,806
Conversion of convertible bonds.....	—	29	—	—
Balance at end of year.....	¥102,938	¥ 79,898	¥ 79,869	\$830,145
Additional paid-in capital (Note 6):				
Balance at beginning of year.....	¥ 75,940	¥ 75,786	¥ 75,786	\$612,419
Issuance of common stock.....	22,950	—	—	185,081
Conversion of convertible bonds.....	—	154	—	—
Balance at end of year.....	¥ 98,890	¥ 75,940	¥ 75,786	\$797,500
Legal reserve (Note 6):				
Balance at beginning of year.....	¥ 8,782	¥ 8,390	¥ 7,993	\$ 70,823
Transfer from unappropriated retained earnings.....	415	392	397	3,346
Balance at end of year.....	¥ 9,197	¥ 8,782	¥ 8,390	\$ 74,169
Unappropriated retained earnings:				
Balance at beginning of year.....	¥ 49,188	¥ 79,503	¥ 77,679	\$396,677
Net income (loss).....	15,421	(25,046)	5,237	124,363
Appropriation:				
Cash dividends paid.....	(4,147)	(3,919)	(3,919)	(33,444)
Bonuses to directors and statutory auditors.....	(80)	(74)	(107)	(645)
Transfer to legal reserve.....	(415)	(392)	(397)	(3,346)
Effect arising from changes of subsidiaries and affiliates for consolidation.....	(53)	(26)	(9)	(428)
Foreign currency translation adjustments.....	—	(858)	1,019	—
Balance at end of year.....	¥ 59,914	¥ 49,188	¥ 79,503	\$483,177
Number of shares of common stock authorized (thousands).....	1,600,000	1,600,000	1,600,000	
Number of shares of common stock issued (thousands):				
At beginning of year.....	784,432	783,866	783,866	
Issuance of common stock.....	90,000	—	—	
Conversion of convertible bonds.....	—	566	—	
At end of year.....	874,432	784,432	783,866	

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 1997, 1996 and 1995

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1997	1996	1995	1997
Cash flows from operating activities				
Net income (loss)	¥ 15,421	¥ (25,046)	¥ 5,237	\$ 124,363
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	18,826	16,678	19,566	151,823
Loss (gain) on disposal of properties	804	(2,781)	(7,249)	6,484
Gain on sale of securities	(229)	(19,005)	(10,853)	(1,847)
Loss on disposal of fund trust investments	—	35,293	8,570	—
Increase in deferred income taxes	(167)	(1,872)	(3,424)	(1,347)
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,674)	(965)	(2,578)	(13,500)
Provision for doubtful receivables	4,192	10,064	5,647	33,806
Increase in trade receivables	(31,534)	(89,477)	(82,508)	(254,306)
(Increase) decrease in inventories	(72,360)	24,478	(58,240)	(583,548)
Increase in other assets	(6,552)	(4,386)	(23,331)	(52,839)
(Decrease) increase in trade payables	(17,224)	(15,843)	78,667	(138,903)
Increase (decrease) in income taxes payable	2,942	(8,836)	9,200	23,726
Increase (decrease) in other liabilities	26,405	22,637	(5,253)	212,943
Other	(2,787)	12,926	23,325	(22,476)
Net cash used in operating activities	(63,937)	(46,135)	(43,224)	(515,621)
Cash flows from investing activities:				
Decrease in time deposits	155	11,325	12,109	1,250
Proceeds from disposal of properties	5,547	21,266	26,995	44,734
Payments for property and equipment	(41,317)	(47,241)	(61,094)	(333,202)
Proceeds from sale of securities	399,540	394,444	425,615	3,222,097
Payments for purchase of securities	(481,388)	(349,219)	(394,634)	(3,882,161)
(Increase) decrease in short-term loans receivable	(30,442)	(35,047)	45,458	(245,500)
Additions to long-term loans receivable	(214,961)	(166,892)	(148,480)	(1,733,556)
Decrease in long-term loans receivable	152,785	122,908	114,853	1,232,137
Other	7,664	(730)	919	61,806
Net cash (used in) provided by investing activities	(202,417)	(49,186)	21,741	(1,632,395)
Cash flows from financing activities:				
(Decrease) increase in short-term debt	(48,634)	40,481	(249)	(392,209)
Proceeds from issuance of bonds	246,514	197,889	135,336	1,988,016
Redemption of bonds	(108,794)	(74,612)	(58,626)	(877,371)
Proceeds from other long-term debt	221,249	290,945	299,243	1,784,266
Repayments of other long-term debt	(192,021)	(332,656)	(272,993)	(1,548,556)
Proceeds from issuance of stock	45,990	—	—	370,887
Dividends paid	(4,147)	(3,919)	(3,919)	(33,444)
Net cash provided by financing activities	160,157	118,128	98,792	1,291,589
Effect of exchange rate changes on cash and cash equivalents	3,999	5,006	(4,570)	32,250
Net (decrease) increase in cash and cash equivalents	(102,198)	27,813	72,739	(824,177)
Cash and cash equivalents at beginning of year	244,902	217,089	144,350	1,975,016
Cash and cash equivalents at end of year	¥ 142,704	¥244,902	¥217,089	\$ 1,150,839
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Interest	¥ 99,813	¥ 99,912	¥107,389	\$ 804,944
Income taxes	9,769	24,341	5,257	78,782
Non-cash financing activities:				
Conversion of convertible bonds	—	183	—	—

See accompanying notes.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Nissho Iwai Corporation (the "Company") and its consolidated subsidiaries are stated in yen, the currency of the country in which the Company is incorporated and principally operates. The translation of yen amounts into United States dollar amounts for the year ended March 31, 1997, is included solely for the convenience of readers outside Japan and has been made at the rate of ¥124=U.S.\$1. It should be noted, however, that this translation should not be construed to imply that the yen amounts could be or could have been converted into United States dollars at the above or any other rate.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Japan and from the consolidated financial statements filed with the Minister of Finance and stock exchanges in Japan as required by the Securities and Exchange Law of Japan.

For the purpose of this report, consolidated statements of shareholders' equity and cash flows, which are not required in Japan, are prepared and certain reclassifications have been made and additional information is provided in order to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company and its significant majority-owned domestic and foreign subsidiaries. Investments in unconsolidated subsidiaries and affiliates (companies in which ownership is 20% to 50%), with minor exceptions, are accounted for by the equity method. Intercompany transactions and accounts have been eliminated. The excess of costs of the Company's investments in subsidiaries and affiliates over its equity in the net assets at dates of acquisition is, with minor exceptions, being amortized on the straight-line basis over five years.

Cash and cash equivalents

Cash and cash equivalents include time deposits with original maturities of three months or less.

Allowance for doubtful receivables

Allowance for doubtful receivables is provided in amounts at least sufficient to cover expected losses on collection; that is, the higher of management's estimate or a maximum amount permitted for tax purposes.

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.

Marketable securities and investments

Marketable securities and other investment securities, except those accounted for by the equity method, are stated at cost by the moving average method.

Fund trust investments deposited with trust banks consist of marketable securities and cash equivalents and are stated at cost.

If significant impairment of value of an individual equity security or a fund trust investment (on a trust-by-trust basis) is deemed permanent, cost is written down to recoverable value.

With respect to certain subsidiaries in the United States of America, the consolidated financial statements do not include the effects of their application of Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities".

The effect of application of SFAS 115 at March 31, 1997 with respect to these subsidiaries would have increased marketable securities by ¥24,748 million (\$199,581 thousand), deferred income taxes by ¥9,900 million (\$79,839 thousand), and retained earnings by ¥14,848 million (\$119,742 thousand).

Property and equipment

Property and equipment are stated at cost. Depreciation is computed primarily by the declining-balance method except that buildings and structures in the Company's Osaka head office, the Nissho Iwai Shin-Yokohama Center and most property and equipment located outside Japan are depreciated by the straight-line method. Repair and maintenance expenditures are charged to income when incurred.

Translation of foreign currencies

Effective for the year ending March 31, 1997 the Company adopted the revised Financial Accounting Standard on Foreign Currency Translation. If the new standard had been applied in the year ended March 31, 1996, the effect on net income would have been immaterial.

—Receivables and payables denominated in foreign currencies—

Current and non-current receivables and payables in foreign currencies are principally translated at historical rates, except for those hedged by foreign exchange forward contracts which are translated at the exchange rate contracted therein, while those of the Company's overseas branches and foreign consolidated subsidiaries are translated at the year-end rate.

When fluctuations in foreign exchange rates are significant, the current exchange rate is applied to translation of both current and non-current receivables and payables denominated in foreign currencies.

—Foreign currency financial statements—

For 1997 the financial statements of foreign consolidated subsidiaries and affiliates are translated at the year end rate except for share capital accounts which are translated at historical rates and retained earnings which are translated initially at the rate in effect at the date of adopting the revised standard referred to above and subsequently at the historical rate. In prior years foreign currency financial statements were translated at the year end rate for monetary current assets and liabilities, retained earnings and net income, at historical rates for other balance sheet accounts, and at the annual average rates for revenue and expense accounts except for depreciation and amortization.

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

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.

With respect to precious metals dealing transactions, the recent globalization of markets and the increasing diversification of transactions aimed at market spreads have led to a large increase in the volume of such transactions which has diluted gross trading profit ratio. Since including such transactions with other trading transactions does not provide useful financial information, the Company, commencing April 1, 1996, has recorded only the net margin in total trading transactions. As compared with the method used in prior periods, total trading transactions and related costs have each been reduced by ¥1,781,522 million (\$14,367,113 thousand) as a result of this change of accounting policy.

Amortization of bond and stock issue expenses

Bond and stock issue expenses are amortized on the straight-line method over three years.

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 statutory 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. Liability for employees' retirement benefits under the lump-sum benefit plan is provided to the maximum amount (40%) permitted by the Corporation Tax Law of Japan, based on the sum that would be required if all employees

voluntarily retired at the balance sheet date. The funded pension plan covers substantially all employees and provides for lifetime annuity payments commencing at age 60. Past service costs are being funded over approximately 20 years. The assets of the pension fund amounted to ¥83,047 million (\$669,734 thousand) at March 31, 1997. The lump-sum benefit plan covers approximately 25% of the amount of severance payments and the pension plan covers the remaining portion. Certain of the consolidated subsidiaries also have retirement benefits and/or pension plans similar to those of the Company.

Retirement benefits to directors and statutory auditors are charged to current income when approved by the General Meeting of Shareholders.

Income taxes

The Company and its consolidated domestic subsidiaries are subject to a number of different taxes, including enterprise taxes, based on income which in the aggregate indicate an approximate statutory rate of 51%.

Interperiod tax allocation is applied for timing differences principally resulting from the elimination of unrealized intercompany profit on consolidation and in the accounts of certain foreign consolidated subsidiaries and affiliates.

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. This disclosure was not required in prior years.

3. MARKETABLE EQUITY SECURITIES

At March 31, 1997 and 1996, the aggregate book value, market value and net unrealized gains for marketable equity securities included in marketable and investment securities were as follows:

	Millions of yen		Thousands of U.S. dollars
	1997	1996	1997
Book value included in:			
Marketable securities	¥291,731	¥307,530	\$2,352,669
Investment securities	62,957	40,322	507,718
	354,688	347,852	2,860,387
Market value	363,433	460,978	2,930,911
Net unrealized gains	¥ 8,745	¥113,126	\$ 70,524

4. PLEDGED ASSETS

At March 31, 1997, the following assets were pledged as collateral for short-term debt of ¥31,313 million (\$252,524 thousand) and long-term debt of ¥61,798 million (\$498,371 thousand):

	Millions of yen		Thousands of U.S. dollars
	1997	1996	1997
Time deposits	¥ 10,940		\$ 88,226
Trade notes and accounts receivable	48,490		391,048
Securities, principally marketable equity securities.....	69,467		560,218
Property and equipment, less accumulated depreciation	21,745		175,363
	¥150,642		\$1,214,855

5. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt was represented by short-term notes, generally for 90 days, bearing interest at annual rates ranging from 0.62% to 10.38% and from 0.59% to 12.00% at March 31, 1997 and 1996, respectively. The Company and its consolidated subsidiaries have had no difficulty in renewing such notes when they considered such renewals advisable.

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. No such requests have been made to date.

A summary of long-term debt at March 31, 1997 and 1996, was as follows:

	Millions of yen		Thousands of U.S. dollars
	1997	1996	1997
6.4% bonds due 1997 payable in Japanese yen.....	¥ 20,000	¥ 20,000	\$ 161,290
4.45% bonds due 1997 payable in Japanese yen.....	20,000	20,000	161,290
4.7% bonds due 1998 payable in Japanese yen.....	30,000	30,000	241,935
3.9% bonds due 1998 payable in Japanese yen.....	10,000	10,000	80,645
3.4% fixed to floating rate bonds due 1998 payable in Japanese yen.....	—	10,000	—
3.0% bonds due 1998 payable in Japanese yen.....	10,000	10,000	80,645
5.0% bonds due 1998 payable in Australian dollars.....	21,116	21,116	170,290
0.65% convertible bonds due 2003 payable in Japanese yen.....	50,000	—	403,226
0.25% convertible bonds due 2003 payable in Japanese yen.....	17,400	—	140,323
Floating rate notes due 2003 payable in Japanese yen.....	10,000	—	80,645
Bonds maturing serially through 2003 payable in Japanese yen at rates of 1.9% to 4.4%.....	90,000	80,000	725,807
Floating rate notes due 1998 payable in U.S. dollars.....	8,755	7,555	70,605
Notes under medium-term note programmes maturing serially through 2009.....	428,036	314,832	3,451,903
Long-term loans, principally from commercial and trust banks and insurance companies, maturing serially through 2015 at rates of 0.43% to 10.30%.....	1,016,109	997,849	8,194,428
Long-term loans, from governmental financial institutions, principally The Export-Import Bank of Japan, maturing serially through 2018 at rates of 0.75% to 9.11%.....	166,376	144,381	1,341,742
Other long-term indebtedness, maturing serially through 2004 at rates of 2.00% to 6.90%.....	34,633	19,232	279,298
Total.....	1,932,425	1,684,965	15,584,072
Less current portion.....	315,121	190,998	2,541,298
	¥1,617,304	¥1,493,967	\$13,042,774

The aggregate annual amounts of long-term debt maturing in the years ending March 31, 1998 to 2003 and thereafter, are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
1998.....	¥ 315,121	\$ 2,541,298
1999.....	349,616	2,819,484
2000.....	201,917	1,628,363
2001.....	241,458	1,947,242
2002.....	199,909	1,612,169
2003 and thereafter.....	624,404	5,035,516
	¥1,932,425	\$15,584,072

The conversion price per share of the 0.65% and 0.25% convertible bonds was ¥551 (\$4.44).

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.

On August 23, 1996, the Company issued 90,000,000 shares of its common stock at a price of ¥511 per share through a public offering in the Euro market. The proceeds of the shares were credited to common stock in the amount of ¥23,040 million (\$185,806 thousand) and additional paid-in capital in the amount of ¥22,950 million (\$185,081 thousand).

7. SEGMENT INFORMATION

The Company and its major consolidated subsidiaries operate in a single industry commonly classified as general trading companies. The activities 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.

Segment information by geographic area was as follows:

Year ended March 31, 1997

	Millions of yen			Consolidated
	Japan	Other areas	Elimination or Unallocated	
Total trading transactions:				
Outside customers	¥7,311,295	¥1,578,124	¥ —	¥8,889,419
Inter-areas	2,243,072	1,945,434	(4,188,506)	—
Total	9,554,367	3,523,558	(4,188,506)	8,889,419
Operating expenses	9,522,413	3,508,942	(4,190,123)	8,841,232
Operating income	¥ 31,954	¥ 14,616	¥ 1,617	¥ 48,187
Assets	¥3,662,127	¥2,035,223	¥ (282,860)	¥5,414,490

	Thousands of U.S. dollars			Consolidated
	Japan	Other areas	Elimination or Unallocated	
Total trading transactions:				
Outside customers	\$58,962,057	\$12,726,806	\$ —	\$71,688,863
Inter-areas	18,089,290	15,688,984	(33,778,274)	—
Total	77,051,347	28,415,790	(33,778,274)	71,688,863
Operating expenses	76,793,653	28,297,919	(33,791,314)	71,300,258
Operating income	\$ 257,694	\$ 117,871	\$ 13,040	\$ 388,605
Assets	\$29,533,282	\$16,413,089	\$ (2,281,129)	\$43,665,242

Year ended March 31, 1996

	Millions of yen			Consolidated
	Japan	Other areas	Elimination or Unallocated	
Total trading transactions:				
Outside customers	¥ 8,421,408	¥ 1,026,587	¥ —	¥ 9,447,995
Inter-areas	1,802,828	1,622,306	(3,425,134)	—
Total	10,224,236	2,648,893	(3,425,134)	9,447,995
Operating expenses	10,193,726	2,641,684	(3,427,315)	9,408,095
Operating income	¥ 30,510	¥ 7,209	¥ 2,181	¥ 39,900
Assets	¥ 3,663,161	¥ 1,639,726	¥ (300,230)	¥ 5,002,657

Year ended March 31, 1995

	Millions of yen			Consolidated
	Japan	Other areas	Elimination	
Total trading transactions:				
Outside customers	¥ 9,167,781	¥ 825,688	¥ —	¥10,020,469
Inter-areas	1,487,845	1,729,739	(3,217,584)	—
Total	10,655,626	2,582,427	(3,217,584)	10,020,469
Operating expenses	10,617,953	2,580,457	(3,219,805)	9,978,605
Operating income	¥ 37,673	¥ 1,970	¥ 2,221	¥ 41,864

Included in assets in the elimination or unallocated column at March 31, 1997 and 1996 are foreign currency translation adjustments of ¥60,833 million (\$490,589 thousand) and ¥51,339 million, respectively.

If the same foreign currency translation method (see Note 2) used for the year ended March 31, 1997 had been applied to the year ended March 31, 1996, other area amounts of total trading transactions and operating income would have increased by ¥252,918 million and ¥953 million, respectively, and other area assets would have decreased by ¥10,809 million.

The effect of the change of accounting method for precious metals dealings transactions (see Note 2) on segment information was to decrease total trading transactions in Japan for the year ended March 31, 1997 by ¥1,781,522 million (\$14,367,113 thousand). Precious metals dealings transactions for the years ended March 31, 1996 and 1995 were included in total trading transactions in Japan in the amounts of ¥1,580,602 million, and ¥2,505,368 million, respectively.

Overseas trading transactions for the years ended March 31, were as follows:

	Millions of yen			Thousands of U.S. dollars
	1997	1996	1995	1997
Overseas trading transactions	¥3,267,300	¥3,123,742	¥3,738,362	\$26,349,194

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
	1997	1996	1995	1997
Net sales	¥305,198	¥273,616	¥142,087	\$2,461,274
Purchases	272,012	201,618	50,111	2,193,645

9. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 1997, were as follows:

	Millions of yen		Thousands of U.S. dollars
	1997	1996	1997
For repurchase of notes discounted and endorsed.....	¥ 42,217		\$ 340,460
For guarantees of loans from banks to:			
Unconsolidated subsidiaries and affiliates	34,216		275,935
Others	145,370		1,172,339
	¥ 179,586		\$1,448,274

10. SUBSEQUENT EVENTS

The Company intends to issue on July 10, 1997, 2.1% unsecured bonds due 2003 in the amount of ¥5,000 million (\$40,323 thousand).

On June 17, 1997 the Company issued ¥5,000 million (\$40,323 thousand) unsecured floating rate notes due 2002 payable in Japanese yen.

On June 27, 1997, the shareholders of the Company approved (1) payment of cash dividends to shareholders of record as of March 31, 1997 of ¥2.50 (2.0 ¢) per share for a total of ¥2,186 million (\$17,629 thousand) and (2) a transfer to legal reserve of ¥219 million (\$1,766 thousand).

ASAHI & CO
ARTHUR ANDERSEN

A Member Firm of
Andersen Worldwide SC

Nissho Iwai Corporation

We have audited the accompanying consolidated balance sheets of Nissho Iwai Corporation (a Japanese corporation) and subsidiaries as of March 31, 1997 and 1996, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 1997, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards 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, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1997, in conformity with accounting principles generally accepted in Japan consistently applied during the periods, except for the change, with which we concur, made as of April 1, 1996, in the method of accounting for precious metals dealing transactions referred to in Note 2.

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.



Osaka, Japan
June 27, 1997

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Facsimile : 60 (85) 416081

**NISSHO IWAI CORPORATION
NEW DELHI LIAISON OFFICE**

2nd Floor, Mercantile House, 15, Kasturba Gandhi Marg
New Delhi-110 001, INDIA
Tel : 91 (11) 331-5211
Facsimile : 91 (11) 371-5238

**NISSHO IWAI CORPORATION
BOMBAY LIAISON OFFICE**

Dalamal House, 9th Floor, Nariman Point, Bombay 400-021, INDIA
Tel : 91 (22) 283-3027
Facsimile : 91 (22) 2024138

**NISSHO IWAI CORPORATION
PUNE LIAISON OFFICE**

United Apartments Flat No.36 2nd Floor (Old No.7), East Street, Pune,
411 001 INDIA
Tel : 91 (212) 64-5466
Facsimile : 91 (212) 64-5466

**NISSHO IWAI CORPORATION
CALCUTTA LIAISON OFFICE**

52 Chowringhee Road 2nd Floor, Calcutta, 700 071 INDIA
Tel : 91 (33) 242-5145/5380/6032/6083
Facsimile : 91 (33) 242-1208

**NISSHO IWAI CORPORATION
JAMSHEDPUR LIAISON OFFICE**

11, Circuit House Area (East), Jamshedpur-831 001, Bihar, INDIA
Tel : 91 (657) 423796
Facsimile : 91 (657) 430048

**NISSHO IWAI CORPORATION
MADRAS LIAISON OFFICE**

"Karumuttu Centre", 4th Floor, 498 Anna Salai, Nandanam, Madras 600
035, INDIA
Tel : 91 (44) 434-0082
Facsimile : 91 (44) 434-6622

**NISSHO IWAI CORPORATION
BANGALORE LIAISON OFFICE**

2nd Floor, Hoodi Apartments, Post Box No.162, 120, Cunningham Road,
Bangalore 560052, INDIA
Tel : 91 (80) 225-5823/2257096
Facsimile : 91 (80) 225-7096

**NISSHO IWAI CORPORATION
KARACHI LIAISON OFFICE**

19-B, Sindhi Muslim Cooperative, Housing Society Karachi-74400,
PAKISTAN
Mail Add : P.O.Box 7207 Karachi-74400, PAKISTAN
Tel : 92 (21) 4545412
Facsimile : 92 (21) 4545440

**NISSHO IWAI CORPORATION
ISLAMABAD LIAISON OFFICE**

House No. 30-B, Street No. 3, F - 6/3 Islamabad, PAKISTAN
Tel : 92 (51) 820835/825354/825512/825518
Facsimile : 92 (51) 279909

**NISSHO IWAI CORPORATION
LAHORE LIAISON OFFICE**

79 Bridge Colony, P.O.Box 6361 Lahore Cantt 13, PAKISTAN
Tel : 92 (42) 6651769
Facsimile : 92 (42) 6666543

**NISSHO IWAI CORPORATION
DHAKA LIAISON OFFICE**

"BCIC BHABAN" 13th Floor 30-31, Dilkusha Commercial Area, Dhaka-
1000, BANGLADESH
Mail Add : Ramna P.O.Box 59, Dhaka-1000, BANGLADESH
Tel : 880 (2) 9555190
Facsimile : 880 (2) 863923

**NISSHO IWAI CORPORATION
CHITTAGONG LIAISON OFFICE**

Al-islam Chamber (3rd Floor) 91, Agrabad C/A, Chittagong,
BANGLADESH
Mail Add : P.O.Box 434, Chittagong, BANGLADESH
Tel : 880 (31) 710364
Facsimile : 880 (31) 710680

**NISSHO IWAI CORPORATION
BEIJING LIAISON OFFICE**

NISSHO IWAI (CHINA) CORPORATION
19th Floor, Fortune Building No.5 Dongsanhuang Beilu, Chaoyang
District, Beijing, THE PEOPLE'S REPUBLIC OF CHINA
Tel : 86 (10) 6500-4489
Facsimile : 86 (10) 6500-4277/6501-0177

**NISSHO IWAI CORPORATION
TIANJIN LIAISON OFFICE**

NISSHO IWAI (TIANJIN) CORPORATION
Room No.1801, Tianjin International Building 75 Nanjing-Lu,
Tianjin, THE PEOPLE'S REPUBLIC OF CHINA
Tel : 86 (22) 2331-3813
Facsimile : 86 (22) 2331-4693

**NISSHO IWAI CORPORATION
QINGDAO LIAISON OFFICE**

NISSHO IWAI (QINGDAO) CORPORATION
Yangguang Dasha 17th Floor 61, Zhanliu Ganlu, Qingdao, THE
PEOPLE'S REPUBLIC OF CHINA
Tel : 86 (532) 571-5277/5100-5106
Facsimile : 86 (532) 571-5107

**NISSHO IWAI CORPORATION
KUNMING LIAISON OFFICE**

Room 2230 No.28, Beijing Road (South), Kunming, Yunnan, THE
PEOPLE'S REPUBLIC OF CHINA
Tel : 86 (871) 351-4829
Facsimile : 86 (871) 351-4830

**NISSHO IWAI CORPORATION
WUHAN LIAISON OFFICE**

Room No. 405, Holiday Inn Tian An Wuhan, 868 Jie Fang Du Dao,
Wuhan, THE PEOPLE'S REPUBLIC OF CHINA
Tel : 86 (27) 584-5120/5301
Facsimile : 86 (27) 584-5221

**NISSHO IWAI CORPORATION
GUANGZHOU LIAISON OFFICE**

NISSHO IWAI (GUANGZHOU) CORPORATION
Room 1254-1258, China Hotel-Office Tower, Liu Hua Lu, Guangzhou,
THE PEOPLE'S REPUBLIC OF CHINA
Tel : 86 (20) 86678126
Facsimile : 86 (20) 86678005

**NISSHO IWAI CORPORATION
SHANGHAI LIAISON OFFICE**

NISSHO IWAI (SHANGHAI) CORPORATION
Room No.2201-2207, Rui Jin Building, Mao-Ming Nan-Lu, Luwan-Qu,
Shanghai, THE PEOPLE'S REPUBLIC OF CHINA
Tel : 86 (21) 64722211
Facsimile : 86 (21) 64722114

**NISSHO IWAI CORPORATION
NANJING LIAISON OFFICE**

Room 640, Nanjing Hotel (Nanjing Fandian), 259 Zhongshan Beilu,
Nanjing, Jiangsu Province, THE PEOPLE'S
REPUBLIC OF CHINA
Tel : 86 (25) 3420899
Facsimile : 86 (25) 3423472

**NISSHO IWAI CORPORATION
DALIAN LIAISON OFFICE**

NISSHO IWAI (DALIAN) CO., LTD.
7th Floor, Senmao Building, No.147 Zhongshan Road, Dalian, THE
PEOPLE'S REPUBLIC OF CHINA
Tel : 86 (411) 360-1177
Facsimile : 86 (411) 360-7708

**NISSHO IWAI HONG KONG CORPORATION LIMITED
HONG KONG**

30/F, Bank of America Tower, 12 Harcourt Road, HONGKONG
Tel : 852-28441811
Facsimile : 852-28459035

SHENZHEN LIAISON OFFICE

Room 1009-1010, East Block, Shenzhen International Commercial
Building, Ren Min Nan Road, Shenzhen City,
Guangdong Province, THE PEOPLE'S REPUBLIC OF CHINA
Tel : 86 (755) 2225764
Facsimile : 86 (755) 2225765

XIAMEN LIAISON OFFICE

8th Floor, International Trade Building, Hubin South Road, Xiamen
City, Guangdong Province, THE PEOPLE'S
REPUBLIC OF CHINA
Tel : 86 (592) 516-2127/2128
Facsimile : 86 (592) 516-2129

**NISSHO IWAI TAIWAN CORPORATION, LIMITED
TAIPEI**

Room No.803, Chia Hsin Bldg. No. 96, Chung Shan Road, N. Sec. 2,
Taipei, TAIWAN
Tel : 886 (2) 522-5100
Facsimile : 886 (2) 563-2761

KAOHSIUNG LIAISON OFFICE

7F-3A, 80, SU Wei 3rd Road, Kaohsiung, TAIWAN
Tel : 886 (7) 336-5838
Facsimile : 886 (7) 331-0601

**NISSHO IWAI CORPORATION
SEOUL BRANCH**

18th Floor, Lotte Bldg.No.1 Sogong-Dong, Chung-ku, Seoul, KOREA
Mail Add : C.P.O.Box No.2010, Seoul, KOREA
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Facsimile : 82 (2) 772-8990-8994

NISSHO IWAI KOREA CORPORATION

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Facsimile : 82 (2) 772-8973

**NISSHO IWAI CORPORATION
BUSAN LIAISON OFFICE**

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KOREA
Tel : 82 (51) 463-6010-6012/6026
Facsimile : 82 (51) 462-4186

**NISSHO IWAI CORPORATION
POHANG LIAISON OFFICE**

3rd Floor, Posco Cooperation Building, 171-18, Haedo-Dong, Pohang-
City Kyongsangbookdo, KOREA
Mail Add : P.O.Box 24, Pohang, KOREA
Tel : 82 (562) 72-2510/220-4043/4044
Facsimile : 82 (562) 72-9101

**NISSHO IWAI CORPORATION
KWANG-YANG LIAISON OFFICE**

Keum-jeung Building 3F, 1321-2, Chung-dong, Tongkwang-yang,
KOREA
Tel : 82 (667) 792-2034/2035
Facsimile : 82 (667) 792-2033

OCEANIA**NISSHO IWAI AUSTRALIA LIMITED
SYDNEY**

Level 17,1 Macquarie Place, Sydney, N.S.W. 2000, AUSTRALIA
Mail Add : G.P.O.Box 3321 Sydney, N.S.W.2001, AUSTRALIA
Tel : 61 (2) 9234-0811
Facsimile : 61 (2) 9235-1080

MELBOURNE

28th Floor, MLC Bldg., 459 Collins Street, Melbourne Victoria, 3000,
AUSTRALIA
Mail Add : G.P.O.Box 5104 BB Melbourne, 3001, AUSTRALIA
Tel : 61 (3) 9617-5666
Facsimile : 61 (3) 9629-1852

PERTH

Level 5, 225 St. Georges Terrace., Perth W.A., 6000 AUSTRALIA
Mail Add : P.O.Box 7159 Cloisters Square, Perth W.A.6850, AUSTRALIA
Tel : 61 (8) 9321-2835
Facsimile : 61 (8) 9322-4906

BRISBANE

9th Floor, ANZ Centre 324 Queens Street Brisbane, Queensland, 4000,
AUSTRALIA
Mail Add : G.P.O.Box 126, Brisbane, Queensland 4001, AUSTRALIA
Tel : 61 (7) 3229-5719/5777
Facsimile : 61 (7) 3229-4803

PORT MORESBY

4th Floor, Defense Force Bldg., Corner, Hunter Street and Champion
Parade, Port Moresby, PAPUA NEW GUINEA
Mail Add : P.O.Box 1493 Port Moresby PAPUA NEW GUINEA
Tel : 675-3214949/3214972
Facsimile : 675-3213882

MAJOR OVERSEAS AFFILIATES

AUSTRALIA

KOBE ALUMINA ASSOCIATES (AUSTRALIA) PTY., LTD.

Alumina production

NISSHO IWAI MINERAL SANDS (AUSTRALIA) PTY., LTD.

Mineral resource development, production, and sales

BELGIUM

DHL WORLDWIDE NETWORK N.V./S.A.

International courier services

MAZAK NISSHO IWAI EUROPE N.V.S.A.

Laser cutting machine sales

BRAZIL

TRIKEM S.A.

Synthetic resin manufacturing and sales

OMI-ZILLO-LORENZETTI S.A. INDUSTRIA TEXTIL

Cotton yarn spinning

CANADA

INGERSOLL MONZEN INC.

Warehousing

MONZEN STEEL INC.

Steel service centers

NIFAST CANADA CORPORATION

Fastener sales

NISSHO IWAI COAL DEVELOPMENT (CANADA) LTD.

Coal mine development, coal production, and sales

CHILE

AUTOMOTORIZ PROTON S.A.

Import and sales of Proton cars

MINERA COSTA VERDE LIMITADA

Exploration and operation in copper mining properties

CHINA

FANGCHENG GANG YUNYAN PHOSPHATE CO., LTD.

Pulverization, drying, and exporting of phosphate rock from Yunyan Province

SHANGHAI JIARI PRECISE STEEL SHEET PRODUCTS CO., LTD.

Processing and sales of steel plates

SHENZHEN AERO-FASTENERS MANUFACTURING CO., LTD.

Fastener manufacturing

TIANJIN BINHAI CHEMICAL STORAGE & TRANSPORTATION DEVELOPMENT CO., LTD.

Bulk chemical tank leasing

TIANJIN RIHUA STEEL PRODUCTS CO., LTD.

Processing and sales of steel plates

TIANJIN SUNSHINE PLASTICS CO., LTD.

Production and sales of packaging cellophane

WAN QUAN MANSION JOINT VENTURE CO., LTD.

Apartment leasing

COTE D'IVOIRE

SOCIETE DE GALVANISATION DE TOLES EN COTE D'IVOIRE (TOLES IVOIRE) S.A.

Galvanized iron sheet manufacturing and sales

CZECH REPUBLIC

NIKOM A.S.

Ferrovandium production and sales

GERMANY

AUTOHAUS HEINZ THOMAE GMBH

Toyota automobile and parts sales

BLM BAUMASHINEN UND HANDELS GMBH

Tractor sales

DAIHEN OTC DEUTSCHLAND VERTRIEBS GMBH

Welding-machine sales

ORC MANUFACTURING VERTRIEBS GMBH

Ultraviolet exposure equipment sales

HONG KONG

ACTIVA LTD.

Warehouse leasing

FASHION FORCE (HONG KONG) LTD.

Fabric sales

LUCKLEEN DEVELOPMENT LTD.

Condominium project development and sales in Happy Valley

INDONESIA

P.T. ARTHACAKRA MULTI FINANCE

Finance and lease services

P.T. BERAU COAL

Coal mine development

P.T. INDONESIA STEEL TUBE WORKS LTD.

Steel tube manufacturing and sales

P.T. IRON WIRE WORKS INDONESIA

Steel wire manufacturing

P.T. MAHARAJA ARTHASTAR INDONESIA FINANCE

Multifinancial services

P.T. MITRA MUTIARA WOODTECH

Wooden interior products manufacturing

P.T. SHINTO LANCE INDONESIA

Lance pipe manufacturing and sales

IRELAND

SUNROCK AIRCRAFT CORPORATION LIMITED

Aircraft operating leasing

KOREA

MASAN STEEL TUBE WORKS CO., LTD.

Steel pipe manufacturing and sales

MALAYSIA

COLD PARTS (MALAYSIA) SDN., BHD.

Marketing and sales of OAV parts

ISHII SUNROCK PRECISION INDUSTRIES SDN., BHD.

Precision press parts manufacturing and sales

NICOMSTEEL CENTRE (MALAYSIA) SDN., BHD.

Steel coil and sheet processing and sales

NIPPON HI PACK MALAYSIA SDN., BHD.

Pulp mold manufacturing and sales

SAMLING FIBRE BOARD SDN., BHD.

Plywood manufacturing and sales

SAMLING PLYWOOD (MIRI) SDN., BHD.

Plywood manufacturing

SUNROCK STEEL CENTRE (MALAYSIA) SDN., BHD.

Steel coil and sheet processing and sales

MEXICO

CORPORACION PIPSA S.A. DE C.V.

Manufacturing and sales of lead-bearing chemicals

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

Brake-tube manufacturing

NEW ZEALAND

JUKEN NISSHO LTD.

Logging and LVL/floorboard manufacturing

NISSHO ROBERTS (N.Z.) LTD.

Wool buying and export

PAPUA NEW GUINEA

STETTIN BAY LUMBER CO., PTY., LTD.

Afforestation, logging, and timber sawing

THE PHILIPPINES

AFC FERTILIZER AND CHEMICALS, INC.

Fertilizer production and sales

ALL ASIAN COUNTERTRADE INC.

Export company for Philippine sugar

ASIAN TRANSMISSION CORP.

Automobile transmission manufacturing and sales; coil and sheet processing and sales

MITSUBISHI MOTORS PHILIPPINES CORP.

Mitsubishi auto import and assembly

POLAND

TOYOTA MOTOR POLAND COMPANY LIMITED

Toyota automobile and parts sales

PORTUGAL

NEMOTO PORTUGAL-QUIMICA FINA, LDA.

Nonorganic fluorescent pigment manufacturing and sales

ROMANIA

TOYO MOTOR S.R.L.

Distribution of Toyota automobiles

RUSSIA

VOSTOK TELECOM CO., LTD.

International telecommunication services

MAJOR OVERSEAS AFFILIATES

SINGAPORE

MSP STEEL WORKS LTD.

Steel pipe manufacturing and sales

NISSHIN INDUSTRY (SINGAPORE) PTE., LTD.

Copper tripod manufacturing

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

Crude oil/oil products trading

SINGAPORE ELECTRICAL STEEL SERVICES PTE.

Electrical steel processing and sales

TAKARA ENGINEERINGS PTE., LTD.

Transfer molds for controllers of semiconductor manufacturing and sales

NISSHO IWAI CAPITAL ASIA PTE., LTD.

Financial services

SPAIN

ACERINOX, S.A.

Stainless steel sheet manufacturing and sales

IBERICA DE SUSPENSIONES, S.A.

Automobile spring manufacturing and sales

NISSHO MOTOR ESPANA S.A.

Wholesaling of Indian-made automobiles

KIA MOTOR ESPANA, S.A.

Distribution of Kia automobiles

THAILAND

ASIAN TRADE & LEASING CO., LTD.

Multifinance services

BANGKOK STEEL INDUSTRY PUBLIC CO., LTD.

Steel bar and galvanized iron sheet manufacturing and sales

KITZ (THAILAND) LTD.

Valve manufacturing and sales

SNB AGRIPRODUCTS LTD.

Crude rice bran oil production and sales

THAI CENTRAL CHEMICAL PUBLIC CO., LTD.

Fertilizer production and sales

UNITED THAI LOGISTICS CO., LTD.

Transport and warehousing

U.K.

AUTRANS EUROPE LIMITED

Automobile parts distribution

NISSHO IWAI INTERNATIONAL FINANCE PLC.

Financial services

U.S.A.

ALLOY TOOL STEEL, INC.

Alloy steel processing and sales

APOLLON ENERGY LTD.

Investment for independent power companies

ASANO AMERICA, INC.

Sales of transmission gears and related products

AUTRANS CORPORATION

Automobile parts distribution

BERWICK STEEL COMPANY

Steel coil and sheet processing and sales

IKKA TECHNOLOGY INC.

Manufacturing and sales of plastic parts and components

KOBELCO AMERICA INC.

Construction machinery sales

KOBELCO METAL POWDER OF AMERICA INC.

Manufacturing and sales of metal powder for automobile parts

LABNAC, INC.

Recycling project for aluminum cans, plastic, and glass

MARUICHI AMERICAN CORP.

Steel pipe manufacturing and sales

MAZAK NISSHO IWAI CORPORATION

Import/sales of laser cutting machines

NIAMAR INTERNATIONAL CORPORATION

Export/import of marine products

NICE INTERNATIONAL CORP.

Construction machinery sales

NICHIRIN-FLEX U.S.A., INC.

Automobile hose manufacturing

NIFAST CORPORATION

Fastener sales

NI HAWAII RESORT, INC.

Hotel investment

N.I. HIGHTECH AMERICA, INC.

Research and fact-finding in computer software

N.I. INVESTMENT USA, INC.

Financing and investment

NIMAC AMERICA, INC.

Sales of marine and recreational equipment

NIM AUTOMOBILES, INC.

Mitsubishi car sales

NI METAL PRODUCTS, INC.

Sales of copper tubing

NISCO STEEL SERVICES, INC.

Steel coil and sheet processing and sales

NISSHO ELECTRONICS (U.S.A.) CORPORATION

Import/export of electronic machinery

NISSHO IWAI AEROSPACE (AMERICA) CORPORATION

Import and export of aircraft and related parts

NISSHO IWAI TEXTILE (U.S.A.) INC.

Fashion design and textile sales

N-I TUBULARS, INC.

Pipe and tube import and sales

OAC INCORPORATED

Sales of ultraviolet exposure equipment and related parts

STAMFORD CAPITAL MANAGEMENT, INC.

Advisory services for commodity trading

TWN FASTENER INC.

Construction and industrial fastener manufacturing and sales

WEATHERFORD MOTORS, INC.

BMW car sales

FEDERATED FINANCIAL RESERVE CORP.

Finance and lease services

VENEZUELA

MMC AUTOMOTRIZ, S.A.

Mitsubishi auto assembly and sales

VIETNAM

VIETNAM JAPAN CHIP CORPORATION

Production and sales of wood chips

VIETNAM SUZUKI CORPORATION

Suzuki automobile manufacturing and sales

VIETNAM JAPAN ALUMINIUM COMPANY LTD.

Aluminium extrusion products manufacturing and sales

STEEL

ARIAKE STEEL CENTER CO., LTD.

Steel sheet and bar processing and warehousing

CANOX CORP.

Steel product sales

FUJISHO CO., LTD.

Stainless steel scrap wholesaling

HAMAMATSU KOHAN KAKO CO., LTD.

Steel sheet shearing and slitting

KOMATSUGAWA KOKI K.K.

Light-gauge steel rolling

KYUSHU NISSHO IWAI METAL CORP.

Metal sales

KYUSHU STEEL CORP.

Steel bar manufacturing and sales

METAL ART CORP.

Steel forging

NIK METAL CORP.

Steel product sales

NISHIMOTO SANGYO CORP.

Steel product sales

NISSHO IWAI BENTONITE CO., LTD.

Bentonite powder and Volclay panel sales

NISSHO IWAI STEEL LEASING CO., LTD.

Construction material leasing

NISSHO IWAI STRUCTURAL STEEL CO., LTD.

Structural steel sales

NI STEEL PRODUCTS CO., LTD

Steel product wholesaling

NI STEEL TRADE CO., LTD.

Export/import of steel product

SANPUKU SHOJI CO., LTD.

Wholesaling of construction material

SHINSEI KOGYO CO., LTD.

Wire processing and sales

SUNROCK OYODO CO., LTD

Wire product manufacturing

TEIMO CO., LTD.

Wire gauze manufacturing

UNICON CO., LTD.

Pail manufacturing

WATAEI STEEL CO., LTD.

Steel product sales

WEST JAPAN STAINLESS STEEL WIRE CO., LTD.

Stainless steel wire manufacturing

NON-FERROUS METALS

ASTRAL GEM CO., LTD.

Precious stone, pearl, and jewel wholesaling

NIHON SEIKO CO., LTD.

Antimony product manufacturing

NISSHO IWAI METAL & PRODUCT CORP.

Aluminium product sales and warehousing

NISSHO IWAI NON-FERROUS METALS CORP.

Non-ferrous metals sales and rental

MACHINERY

FORSTER JAPAN CORP.

Sales of humidified refrigerators

KOKUSAI KISEN KABUSHIKI KAISHA

Ship broker and agent

NI AIRCRAFT LEASING CORPORATION

Aircraft lease, sales, and export/import

NI CONSTRUCTION MACHINERY CORP.

Sales of construction machinery

NIMAC CORP.

Marine and other machinery sales

N.I. MIZWA CO., LTD.

Sales of imported cars

NISSHO IWAI AEROSPACE CORP.

Aircraft and parts import and sales

NISSHO IWAI TECHMAC CORP.

Chemical machinery sales

NISSHO IWAI CHEMIMAC TOKYO CORP.

Chemical machinery sales

NISSHO IWAI INDUSTRIAL MACHINERY INC.

Industrial machinery sales

NISSHO IWAI MECHATRONICS CORP.

Factory automation system and equipment sales

NISSHO IWAI MOTOR SALES CORP.

Automotive import and sales

NITEC CORP.

Heavy machinery and industrial equipment sales

SENDZIMIR JAPAN, LTD.

Sendzimir rolling mill manufacturing and sales

STERN NISHI IKEBUKURO CO., LTD.

Mercedes-Benz car sales

RIETSCHLE NI, LTD.

Vacuum pump import and sales

COMPUTERS & COMMUNICATIONS

ATLUX CORP.

Information data processing

KITA CABLE TV CO., LTD.

CATV service in North Ward of Tokyo

JAPAN SATELLITE SYSTEMS INC.

Satellite communications service

MEDIA LIBRARY INC.

Information-provision service

NIFTY CORP.

Computer communications service

NI HIGH-TECHNOLOGY INC.

Mechanical engineering and equipment sales

NISSHO ELECTRONICS CORP.

Computer sales, rental, and data processing computer systems integrator

N.I. TELECOM CORP.

Sales promotion of portable telecommunication services

PROGRESS SOFTWARE KK

Sales and technical support for RDBMS and its development

SATELLITE NEWS CORP.

Distribution of BBC World Service TV channels in Japan

CONSTRUCTION & PROJECT DEVELOPMENT

NI COMMUNITY CORP.

General maintenance of buildings and condominiums

NISSHO IWAI HOUSING CORP.

Realtor; sales of private housing

NISSHO IWAI REAL ESTATE CORP.

Real estate development, sales, and brokerage

SUNROCK RESORT CO., LTD.

Hotel management

TAKARAZUKA KAIHATSU CO., LTD.

Condominium development and sales

ENERGY

NISSHO IWAI GAS CORP.

LPG sales

NISSHO IWAI PETROLEUM CORP.

Petroleum product and LPG sales

NISSHO IWAI PETROLEUM GAS CORP.

LPG import and sales

NISSHO PROPANE SEKIYU CORP.

LPG and petroleum product sales

NUSANTARA GAS SERVICES CO., INC.

LNG import and sales

TOKYO YUSO CORP.

Warehousing and tank leasing

TEXTILES

CENTURY-YELL INC.

Wholesaler for men's suits

THE CHUO WOOLEN MILLS, LTD.

Wool spinning and weaving

NISSHO IWAI APPAREL CO., LTD.

Garment manufacturing

NISSHO IWAI FIBER AND YARN LTD.

Fiber and yarn trade

NISSHO IWAI TEXTILE CO., LTD.

Finished textile goods sales

GENERAL COMMODITIES

BEISEI INC.

Import tobacco leaf

DENKAN KOGYO CO., LTD.

Manufacturing and wholesaling of concrete products

NISSHO IWAI CEMENT CORP.

Wholesaling of cement, ready-mixed concrete, and other building materials

NISSHO IWAI GENERAL MERCHANDISE CORP.

Import and wholesaling of cigarettes shotguns and general merchandise

NISSHO IWAI PAPER AND PULP CORP.

Import/export and wholesaling of paper and pulp

NI TOBACCO CORP.

Sales promotion of imported tobacco

VERMITECH CORP.

Vermiculite processing

WOOD PRODUCTS

NICHIWA CORP.

Wholesaling of logs

NIIGATA GAIZAI CO., LTD.

Wholesaling of logs and lumber

NI LUMBER CO., LTD.

Processing and wholesaling of lumber

NIPPON CROWN HOUSE CO., LTD.

Manufacturing and wholesaling of housing materials

NISSHIN LUMBER CO., LTD.

Processing and wholesaling of lumber

NISSHO IWAI BUILDING MATERIALS CORP.

Wholesaling of building materials

SUZUKEN CORP.

Processing and wholesaling of lumber and housing materials

TORIN CO., LTD.

Wholesaling of logs and housing materials

YOSHIMOTO RINGYO CO., LTD.

Processing and wholesaling of lumber and housing materials

CERAMICS & MINERALS

NISSHO IWAI CERAMICS CORP.

Refractory raw material and nonmetallic mineral sales

CHEMICALS

NISSHO IWAI CHEMICAL LTD.

Chemical product sales

PLASTICS

DAIICHI KASEI CO., LTD.

Precision molding and assembly

FUJI KAKO CO., LTD.

Plastic pipe manufacturing and sales

JAPAN WAVELOCK CO., LTD.

Plastics and textiles processing

NIPPLA KASEI CO., LTD.

Engineering plastic sales

NISSHO IWAI POLYMERS & PRODUCTS CORP.

Plastic product sales

SAMBOW PLASTICS CO., LTD.

Vinyl chloride product manufacturing and sales

TAIYO CHEMICAL INDUSTRY CO., LTD.

Vinyl chloride film manufacturing and sales

TAKAFUJI CHEMICALS CO., LTD.

Vinyl chloride sheet and synthetic rubber products manufacturing

TAKAICHI CO., LTD.

Polyethylene film manufacturing

FOODSTUFFS

FUJI SEITO CO., LTD.

Sugar refining

NIKKO SHOKAI CO., LTD.

Import and wholesaling of food products

NISSHO IWAI DELICA CORP.

Wholesaling of meat and prepared food

NISSHO IWAI FOODS CORP.

Wholesaling of sugar and foodstuff

SHIN-MEITO CO., LTD.

Sugar refining

OTHERS

BEST MATCH CORP.

Recruiting and employment services

BRINK'S JAPAN LTD.

Transportation of valuables

NI FINANCE CORP.

Financing

NIKKYO TRANSPORTATION AND WAREHOUSING CO., LTD.

Transportation and warehousing

NI SERVICE CORP.

Business support services

NISSHO IWAI INFOCOM SYSTEMS CO., LTD.

Computer operations, software, and programming

NISSHO IWAI INSURANCE AGENCY CORP.

Insurance agency

NI STAFF CORP.

Temporary employment service

NI TOURIST CORP.

Travel agency

NI LOGISTICS CORP.

International and domestic transportation services

P.O.V. ASSOCIATES

Advertising agency

SALA INTERNATIONAL, INC.

Video and film production

SHIKOKU NISSHO IWAI CORP.

Wholesaling

TOHOKU NISSHO IWAI CORP.

Wholesaling

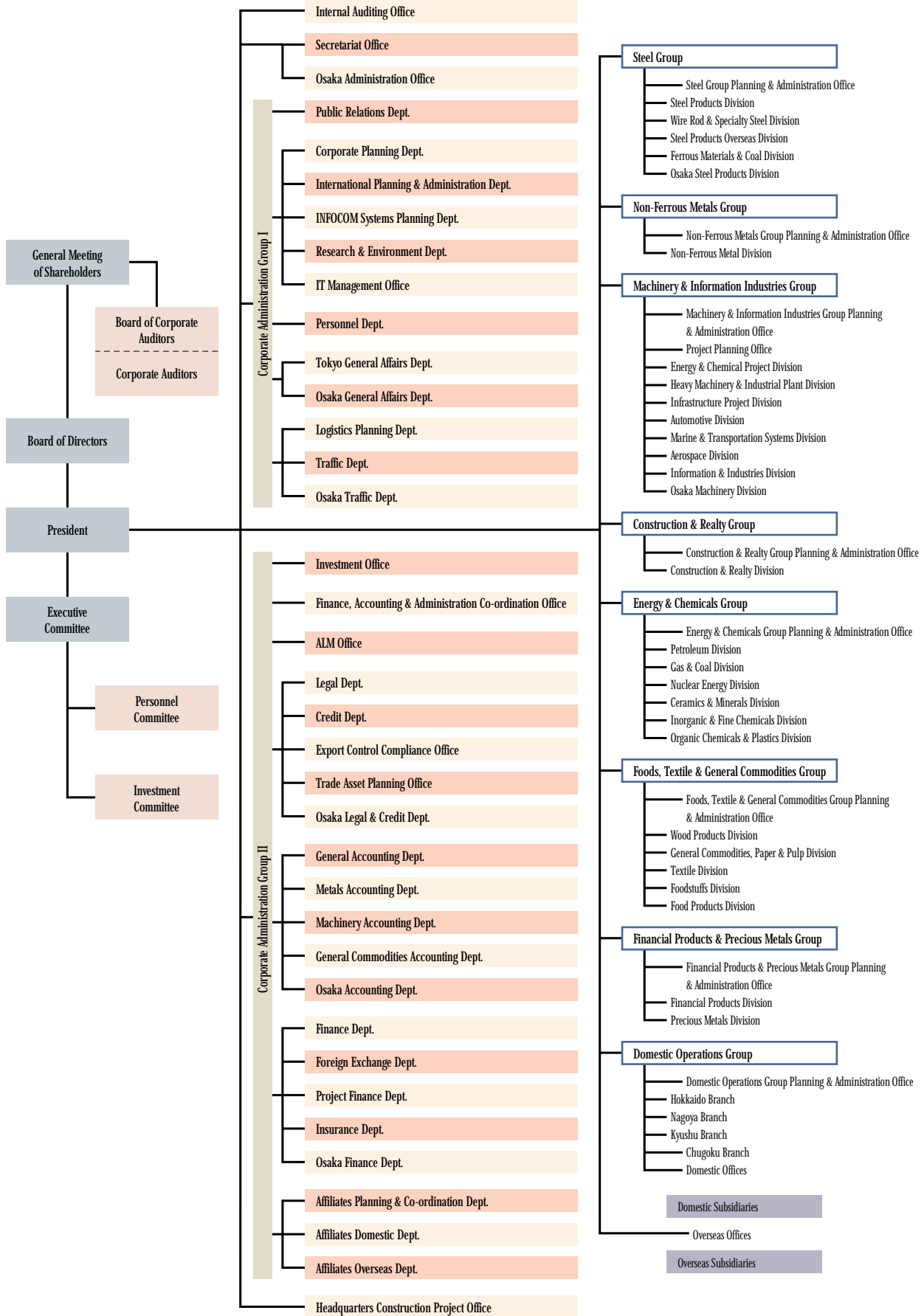
WORLD LEASING CORP.

Leasing

NISSHO IWAI FUTURES INC.

Futures commission merchant

c o r p o r a t e
o r g a n i z a t i o n



The ownership and distribution of shares as of March 31, 1997, was as follows:

	Number of shares owned (thousands)	Percentage of total shares outstanding
Financial institutions	604,562	69.14%
Corporations	105,718	12.09
Individuals and others	103,583	11.84
Securities companies	3,464	0.40
Foreign corporations and individuals	57,105	6.53
Total	874,432	100.00%
Business term ends:	March 31	
General meeting of shareholders held:	June	
Newspaper in which public notice is made:	The <i>Nihon Keizai Shimbun</i> published in Osaka	
Share transfer agents:	The Toyo Trust & Banking Co., Ltd. Osaka Branch, Stock Transfer Department, 6-3, Fushimi-cho 3-chome, Chuo-ku, Osaka	
Agents' offices:	Head offices and branch offices of the Toyo Trust & Banking Co., Ltd., and the Nomura Securities Co., Ltd.	

Corporate Data

(As of March 31, 1997)

Established:	February 8, 1928
Headquarters:	Tokyo: 4-5, Akasaka 2-chome, Minato-ku, Tokyo 107 Tel. (03) 3588-2111 Osaka: 5-8, Imabashi 2-chome, Chuo-ku, Osaka 541 Tel. (06) 209-2111
Number of employees:	6,398
Employee breakdown:	Japanese male: 3,332 Japanese female: 998 Foreign nationals: 2,068
Number of offices:	Domestic: 37 Overseas: 150

Common Stock Price Range

(Tokyo Stock Exchange)

	High	Low
1995		
April – June	448	332
July – September	430	348
October – December	565	371
1996		
January – March	581	483
April – June	624	536
July – September	617	495
October – December	528	452
1997		
January – March	466	370

Additional copies of this annual report and other publications are available upon request from the Public Relations Dept., Nissho Iwai Corporation, 4-5, Akasaka 2-chome, Minato-ku, Tokyo 107, Japan
Tel: (03) 3588-4017
Home page: <http://www.nisshoiwai.co.jp/>

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