

NISSHO IWAI CORPORATION ANNUAL REPORT 2003

Year ended March 31, 2003



PROFILE

Nissho Iwai Corporation maintains an extensive global network. The Company engages in a diverse range of business activities, from creating and expanding trade opportunities to business investment, in each of its primary business fields comprising the Machinery Company, Aerospace Company, Energy & Mineral Resources Company, Foods & Consumer Products Company, Construction & Urban Development Company, and New Business Development Group. As a global business partner that brings customers and global markets closer together, Nissho Iwai aims to be a creative, fully functional trading company that continuously produces new business channels.

On April 1, 2003, Nissho Iwai integrated its management with Nichimen Corporation, forming the holding company Nissho Iwai - Nichimen Holdings Corporation. In close cooperation with Nichimen, Nissho Iwai will continue efforts to increase business efficiency and profitability toward the establishment of a new comprehensive trading company.

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FORWARD-LOOKING STATEMENTS

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

CONSOLIDATED FINANCIAL HIGHLIGHTS

Nissho Iwai Corporation and Consolidated Subsidiaries
Years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars	Thousands of euros	Percentage change ('03/'02)
	2003	2002	2001	2003	2003	
For the years ended March 31:						
Net sales (Total trading transactions)	¥4,619,072	¥5,464,524	¥6,474,402	\$38,492,267	€35,531,323	(15.5)%
Gross trading profit	212,608	265,824	287,731	1,771,733	1,635,446	(20.0)
Operating income	35,463	49,460	62,253	295,525	272,792	(28.3)
Net income (loss)	(73,850)	1,183	20,041	(615,417)	(568,077)	—

As of March 31:

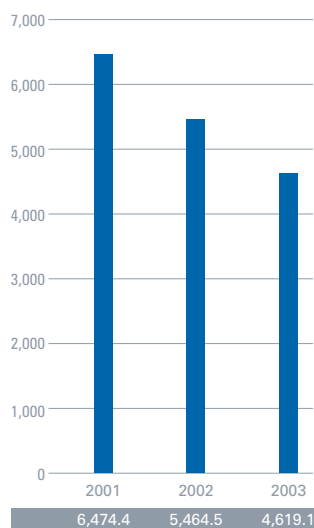
	2003	2002	2001	2003	2003	Percentage change ('03/'02)
Total assets	2,104,260	2,957,578	3,613,977	17,535,500	16,186,615	(28.9)
Total shareholders' equity	20,329	106,728	120,276	169,408	156,377	(81.0)
Interest-bearing debt	1,514,254	2,027,281	2,543,859	12,618,783	11,648,108	(25.3)

	Yen	U.S. dollars	Euros	Percentage change ('03/'02)		
Per share amounts:						
Net income (loss)	¥(84.48)	¥1.35	¥22.92	\$(0.70)	€(0.65)	—%

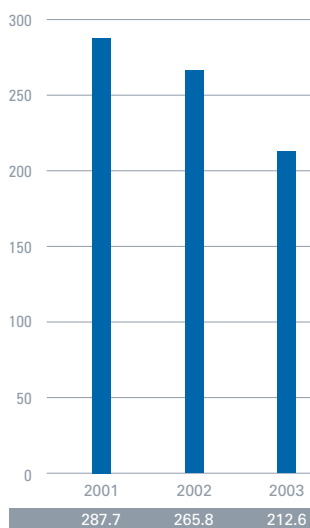
Notes: 1. Yen amounts have been translated for convenience only, at ¥120=U.S.\$1 and ¥130=€1.

2. Notes discounted, included in interest-bearing debt until fiscal 2002, are excluded in fiscal 2003.

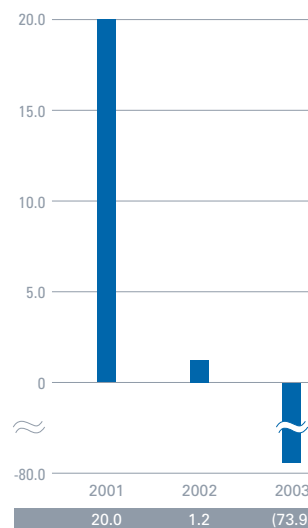
NET SALES
(Billions of Yen)



GROSS TRADING PROFIT
(Billions of Yen)



NET INCOME (LOSS)
(Billions of Yen)





HIDETOSHI NISHIMURA
President and CEO

BUSINESS INTEGRATION

—*Creation of a Sogo Shosha (General Trading Company)*

Nissho Iwai, with Nichimen Corporation, established a joint-holding company, Nissho Iwai - Nichimen Holdings Corporation, on April 1, 2003 through a stock swap, and listed the new company on the Tokyo and Osaka stock exchanges. We made a historic first step toward the creation of an innovative and functional *sogo shosha* in fiscal 2003, one that maximizes our collective synergies through integration.

THE GLOBAL MARKETPLACE

—Being an Outstanding Business Partner

In the 21st century, economies are shifting from individual markets in individual countries toward unification in a single global market, while concurrently undergoing a process of assimilation. Now more than ever, Japanese corporations must help establish an appropriate position for the Japanese economy by operating under a universal set of values and playing a major role in the global marketplace.

Nissho Iwai readily faces the challenges of a globalized marketplace and a changing economic environment, uncovering varied customer needs and continuing to provide the services that make it an outstanding business partner.

BUSINESS SELECTION AND CONCENTRATION

—Enhancing Earnings Power and Strengthening Risk Management

Nissho Iwai, in order to increase its earnings power, is conducting a detailed program of selection and concentration among its close to 200 businesses encompassing its five internal companies (Machinery; Aerospace; Energy & Mineral Resources; Foods & Consumer Products; and Construction & Urban Development). By focusing on business models with high degrees of added value, we are significantly increasing our earnings power.

At the same time, in an age of rapidly changing business environments, we must recognize the various risks inherent in our businesses, and give the utmost care to adopting procedural controls to sufficiently manage those risks.

EQUITY FINANCE

—Increasing Shareholders' Equity

In May 2003 Nissho Iwai - Nichimen Holdings Corporation increased its capital by more than ¥320 billion (¥266.0 billion in preferred shares; ¥7.2 billion in ordinary shares; and ¥50.0 billion in convertible bonds). Nissho Iwai increased its own capital by ¥163.2 billion in response, strengthening its financial position. All of our major banks and more than 200 of our trading partners cooperated with this capital increase, demonstrating the strength of our trading base.

A VISION FOR NISSHO IWAI

—Evolution of a Sogo Shosha

Though we have entered a new era through the business integration with Nichimen, we remain committed to providing high-quality services to our customers, and conducting a higher-added-value business. Nissho Iwai seeks to be a *sogo shosha* that continually evolves to better serve its customers. Through a combination of the realization of our corporate philosophy "Think Beyond Client, Look Beyond Market," and the unified effort of every one of our employees, we seek to become a *sogo shosha* with top-class earnings power.

Thank you for your support of Nissho Iwai, and we look forward to presenting the realization of our vision as an evolving *sogo shosha* and outstanding business partner.

August 2003

MACHINERY COMPANY



KAZUNORI TERAOKA
President, Machinery Company



① Mitsubishi Motors Philippines Corporation, of which Nissho Iwai holds a 49% share is located in Cainta Rizal in the Philippines. ② Robot assembly facilities waiting testing, delivered to Perusahaan Otomobil Nasional Berhad (Proton) in Malaysia. ③ Nissho Iwai was the first company to deliver dense wavelength division multiplexing (DWDM) equipment to the Indian state news agency.

The Machinery Company takes a strategic approach toward the fast-growing automotive and electronics and telecommunications industries, while handling machinery and equipment in a broad range of industrial fields.

AUTOMOTIVE INDUSTRY In the strategically important automotive industry, Nissho Iwai engages in domestic retail sales and the export of built-up vehicles, as well as wholesale activity through the operation of knocked-down assembly plants overseas. Nissho Iwai also collaborates with Japanese and overseas manufacturers and engineering firms to provide manufacturing technologies and facilities, including plant operation know-how, to automobile manufacturers in Europe, North America, Asia, and China. In this way, the Company plays a vital role in the creation of added value in both the upstream and the downstream of the automobile industry. In the OEM component logistics field and the expansive aftermarket, including replacement parts and accessories, Nissho Iwai aims to create a high-profit value chain throughout the entire automobile industry by launching various businesses. The Company has placed priority on actively engaging in marketing activities in the growing China market.

ELECTRONICS & TELECOMMUNICATIONS In the electronics & telecommunications field, Nissho Iwai mainly handles cutting-edge technological products and systems, including network-related equipment, mobile communications equipment, and communications terminals as well as ADSL and other broadband equipment. Nissho Iwai is steadily developing new customers and markets through offshore transactions, using a new business model that trades cost-competitive Korean- and Chinese-made components, equipment and systems in Southwest Asia, Southeast Asia, and China, which are

attracting vigorous capital investment. The Company is concentrating efforts on the export of electronic components and materials to overseas home appliance manufacturers. Through a subsidiary that engages in electronic commerce, the Company plans to increase earnings by expanding its range of sales channels and materials.

OTHER INDUSTRIES Nissho Iwai handles plants and equipment related to the manufacture of steel, paper, cement, and medical equipment. The Company has established marketing subsidiaries in Europe and the United States, through which it offers technological services and sells CO₂ laser-processing machines made by Yamazaki Mazak Corporation. Nissho Iwai also boasts strong marketing capabilities in the trading of ships and ship machinery, with a long history of accomplishments through affiliated companies.

AEROSPACE COMPANY



KUNIHIDE IZUMI
President, Aerospace Company



❶ The CRJ200 can fly further, faster, more often, and more economically than any aircraft in its class. ❷ The Q400 is designed to meet the requirements of regional airlines for more seats and greater speed on short-haul, high-density routes. ❸ The 777 sets a new level of comfort and spaciousness for air travel.

AIRCRAFT FIELD In the aerospace industry field, Nissho Iwai has long been an exclusive consultant for the import and sale of Boeing aircraft, from the 727 to the cutting-edge 777 models, to Japanese airlines. Nissho Iwai has boasted a commanding share of this market for the past 50 years. We also boast unrivalled success in the sale of regional commuter aircraft manufactured by Bombardier Aerospace and expect further growth in this business. Nissho Iwai is a leading company with an unassailable position in Japan in the sale of CRJ series commuter jet aircraft and Dash-8 Series of advanced turboprop aircraft that excel in cost performance.

Nissho Iwai engages in the aircraft operating lease business, targeting foreign airlines, with affiliate Sunrock Aircraft Corporation Ltd. in Dublin, Ireland. In addition, we have established a business-jet time-share service and a charter business for foreign airlines as derivative businesses. Amid structural changes in the commercial aircraft market, Nissho Iwai continues to create new businesses by leveraging its professional experience in sophisticated financing, legal matters, taxation, and insurance as they relate to aircraft accumulated in its global aircraft operations, in addition to knowledge of aircraft equipment.

DEFENSE FIELD We are one of the top players in the defense-related field, backed by our success in F-4 and F-15 jet fighter programs, as sales representative for Boeing. We have succeeded in introducing domestic production of Boeing AH-64 Apache attack helicopters, which are a central platform in the future of digital warfare. This success signifies the opening of an avenue for the Military Aircraft & Defense Electronics Department to become more active in the information field. Nissho Iwai also handles sonar, data processing equipment, and mine disposal apparatus for minesweepers, receiving high praise both in Japan and overseas, and such high-tech products of leading U.S. and European manufacturers as ship-to-air missiles and aircraft

electronic defense equipment. Nissho Iwai is a cornerstone in Japan's defense industry, in all areas of land, sea, and air. Including products handled by subsidiary NIASCO Corporation, Nissho Iwai is positioned in the top of its class in the defense industry.

Applying its experience and innovative concepts in cutting-edge technology garnered from the defense field, Nissho Iwai aims to create new value in software and hardware in the information industry and create new businesses ahead of the competition.

NIASCO CORPORATION With close management ties to the Aerospace Company, NIASCO mainly handles equipment for air, defense, aerospace, and information systems. From equipment and components for aircraft and jet engines to their related equipment and spare parts, NIASCO has gained the confidence of aircraft manufacturing companies, airline companies, and defense departments in Japan. In the aerospace field, NIASCO handles adapter boosters for the H-IIA rocket and a variety of high-tech equipment for satellites.

ENERGY & MINERAL RESOURCES COMPANY



HIROYUKI TANABE
President, Energy & Mineral Resources Company



① LNG LEO is one of eight chartered vessels operated by BGT Ltd. Charter operations commenced under a 73-year contract for the transportation of 8.45 million tons of LNG per year between Indonesia and Japan. ② Worsley Alumina Project in Australia, of which Nissho Iwai has a 9% share. ③ The MODEC Venture 1 FPSO, of which Nissho Iwai has a 30% ownership, is operated at Katatua North Field, East Timor. ④ Jellinbah East Coal Mine Project in Australia (Nissho Iwai owns a 15% share)

The Energy & Mineral Resources Company was reformed in April 2003 through the consolidation of its existing departments and office and the Energy & Power Business Department and the Energy Project Department, both of which had been under the umbrella of the Machinery Company. The company consists of the following departments and office:

(From the Machinery Company)

- Energy & Power Business • Energy Project
- (Existing)
- Petroleum • Nuclear Fuel Cycle • Coal • Iron Ore
- Ferro-alloy & Non-ferrous Materials • Aluminium & Copper
- Energy & Mineral Resources Business Development

The new Energy & Mineral Resources Company brings Nissho Iwai's strengths in the development, import, logistics, and sales of energy and mineral resources together with its expertise in energy plants, power generation, and floating production, storage and offloading (FPSO) facilities. This new grouping of related businesses gives the Energy & Mineral Resources Company a structure capable of responding to diverse opportunities extending from upstream to downstream sectors of the energy and mineral resources field.

Previously, Nissho Iwai had been pursuing business along three distinct avenues of focus:

1. Product—focusing on “what”—promoting a wide range of business activities related to energy and mineral resources themselves, namely natural gas, petroleum, nuclear energy, coal, and new energy;
2. Demand—focusing on “who”—the large consuming regions and those users that are the major markets for these products;
3. Supply—focusing on “where”—the producing regions that seek to develop their energy and mineral resource supply opportunities.

The new structure of the Energy & Mineral Resources Company adds a fourth avenue, a single stream from upstream to downstream, to these three areas into a new unified focus. Under this focus, we will strive to expand our capabilities through open access to an infinite combination of components within this four-dimensional, comprehensive, energy & mineral resources group.

To successfully achieve this unique four-dimensional inte-

gration, it is vital that the nine departments and office fit neatly into one of the following three business models: (1) vertical integration, (2) investment/trade synergy, and (3) knowledge and information. These models will facilitate the emergence of a highly functional organizational structure that maximizes inherent synergies and added value.

VERTICAL INTEGRATION This business model seeks to create business opportunities and maximize profits through the integration of:

- upstream businesses, such as loans and investments in petroleum and natural gas resource rights;
- midstream businesses, including production facilities and plants such as floating production, storage, and offloading (FPSO) facilities and logistics; and
- downstream businesses, such as the trading, distribution, and sale of crude oil, petroleum products and natural gas, which involve our ties with LNG Japan Corporation and other domestic and overseas subsidiaries, in addition to the electric power generation business.

INVESTMENT/TRADE SYNERGY This model is predicated on profit maximization achieved by exploiting synergies between the Company's trade and marketing strengths in resources (such as coal, iron ore, ferro-alloy, aluminum, copper, and others) and strategic investments including equity acquisition in mining companies.

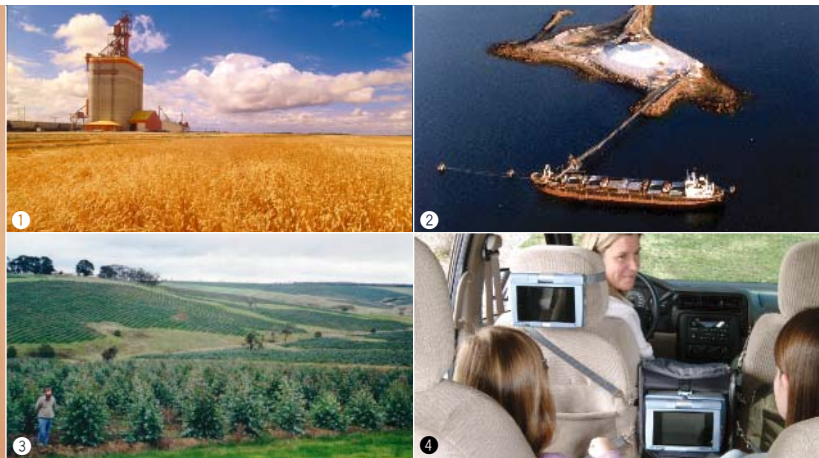
KNOWLEDGE AND INFORMATION This model centers on the highly efficient application of capital based on accumulated knowledge and the acquisition of information in business areas related to nuclear fuel, the environment, and new energy.

The stable supply of energy and mineral resources, as an industrial base, has been a major management issue. In addition, recent trends such as market liberalization, deregulation, and ever-accelerating technological innovation seem set to continue. For these reasons, the ability to utilize the diverse strengths of a general trading company is of significant importance leading to an increasing number of business opportunities. Above all, we remain intent on creating businesses capable of spotting and grasping opportunities that emerge amid such change.

FOODS & CONSUMER PRODUCTS COMPANY



NOBUAKI ITO
President, Foods & Consumer Products Company



① High-quality wheat grain in Canada. Nissho Iwai acts as an agent for the Canadian Wheat Board in offshore transactions. ② Dampier Salt Ltd. has three salt fields in Western Australia backed by financing from Nissho Iwai, and ships seven million tons of raw salt annually. ③ Afforestation by GPFL Corp. in Australia ④ Portable DVD players for automobiles developed by Nissho Iwai.

FOODSTUFFS SEGMENT Securing food resources from a global perspective while complying with diverse consumer requirements are the basic policies we follow to strengthen competitiveness and profitability in the foodstuffs segment. For example, Nissho Iwai engages in offshore wheat grain transactions with Indonesia and other countries as an agent for the Canadian Wheat Board and is also involved in the tuna farming business in Turkey and Mexico. Moreover, Nissho Iwai is the No. 1 trader of mackerel from northern Europe. The Company operates a three-pillar structure comprising Nissho Iwai with its resource development and M&A functions, Nissho Iwai Foods Corp. as a food wholesaler with development and import functions, and Nissho Iwai Meat and Agri-Products Corp. specializing in livestock trading. In conjunction with these three companies, we will expand Unitec Foods Co., Ltd., which imports, processes, and markets food additives. We are moving toward enhanced organizational efficiency as we step up business integration with Nichimen Corporation in April 2004.

CHEMICAL PRODUCTS SEGMENT In the chemical products segment, Nissho Iwai has finished transferring businesses to Nissho Iwai Chemical Corp. and Nissho Iwai Kagakuin Co., Ltd., which are under the holding company Global Chemical Holdings, Inc. (GCH), a joint venture established with Nichimen Corporation. These two companies will merge with two Nichimen Group companies under GCH to form NN Chemical Corp. on October 1, 2003. The chemical products segment boasts strengths in its business network development in acetyl, chlor-alkali, and fertilizer, as well as its operations in functional chemicals such as paint and resin materials, and its electronic materials business and mineral ore business. The chemical products segment aims to increase earnings by reinforcing operational bases through business expansion and thoroughly streamlining operations after the merger. In the plastics segment, all businesses have already been transferred to Nissho Iwai Plastic Corp., which is under Pla-Net Holdings, Inc., a joint holding company with Nichimen. A development-oriented specialist trading company, Pla-Net Holdings, Inc. is steadily improving performance by focusing on

the launch of new business models in semiconductor and LCD-related fields, and EMS operations.

CONSUMER PRODUCTS SEGMENT The three business pillars of the consumer products segment are tobacco trading with Philip Morris; afforestation, wood chip operations, and other environmentally conscious businesses; and trading goods such as niche home appliances and motorcycle parts through the low cost operations of Nissho Iwai General Merchandise Corp. Amid changes in the role of general trading companies, Nissho Iwai is fine-tuning its objectives for product procurement and the creation of trading channels that match customer needs. We aim to be an incubator for developing and nurturing businesses in the expansive field of commodities. Nissho Iwai is developing trading businesses based on consumer needs, while focusing on the afforestation business in Vietnam and Australia as a part of its environmental operations, and concentrating on the development of "from/to market" consumer goods distribution.

HOUSING MATERIALS SEGMENT Nissho Iwai imports lumber products from various regions around the world, and exports to overseas markets such as China. The Company handles the largest volume of round logs, plywood, sawn lumber, fiberboard, and other wood products in the industry. Amid heightened global concerns for environmental issues, and based on the theme of "environmentally friendly wood business," Nissho Iwai has made efforts to manage sustainable forests and to manufacture value-added products without wasting wood resources by engaging in afforestation and wood processing operations in New Zealand since 1990. In Malaysia, we engage in joint ventures for manufacturing plywood to JAS standards and MDF (fiberboard) using discarded wood scrap. Nissho Iwai sells wood materials, construction materials, and housing equipment in Japan through mainstay affiliates Sun Building Materials Corp. and Nissho Iwai Housing Materials Corp. Nissho Iwai is also considering a business integration in this field with Nichimen Corporation, which dominates one corner of the industry, in an aim to improve total wood material distribution and to further improve services.

CONSTRUCTION & URBAN DEVELOPMENT COMPANY



TOSHIMASA DOHI
President, Construction & Urban Development Company



① Tokyo Residence—High-rise condominium located within “I-Garden Air,” an urban development in Tokyo ② Sano Premium Outlet—Nissho Iwai’s third premium outlet, based on the image of the U.S. East Coast and featuring approximately 80 shops ③ Mallage Saga—Suburban commercial facility development, featuring parking for 3,000 vehicles

The Construction & Urban Development Company is striving to become a professional comprehensive developer equipped with the global networks of a general trading company and wide-ranging project development capabilities.

BUSINESS OUTLINE The Construction & Urban Development Company is drawing increasing market attention for its activities in three core fields: 1) condominiums, 2) commercial facility development and redevelopment, and 3) prime contracting and consulting.

In the condominium business, Nissho Iwai provides more than 2,000 units annually, primarily in Tokyo, Nagoya, and Osaka, through affiliated companies and joint ventures with its key affiliate Nissho Iwai Real Estate Corp. Our condominiums have gained recognition as the top of their class in the industry, thanks to our efforts to make possible a better way of life and greater customer satisfaction under our condominium brand motto “More for the Heart,” as well as innovative product planning that precisely matches the needs of our customers, who are seeking better dwellings.

In commercial facility development and redevelopment, we are promoting the suburban shopping center business and premium outlet mall business. In March 2003, we opened the large-scale shopping center “Mallage Saga” in Saga Prefecture. This complex attracted approximately 300,000 visitors in the first five days of opening.

Nissho Iwai has also successfully opened a series of outlet malls, including the Sano Premium Outlet in Sano City, Tochigi Prefecture in March 2003. Construction was completed for extended shopping space at the Gotemba Premium Outlet and the Rinku Premium Outlet, which are now Japan’s largest suburban factory outlet malls. The Kajoh Central Building, a privately financed joint initiative

among private institutions, Yamagata Prefecture and Yamagata City that opened in 2001, has received considerable attention recently. The JR Akita Station East Exit Center (tentative name), for which construction commenced in December 2002, is scheduled for completion in July 2004.

In the prime contracting and consulting business, Nissho Iwai makes most use of its general trading company network. Utilizing land to its full potential, we provide the best-fit plan available, incorporating both local and global considerations.

OUTLOOK Nissho Iwai has put in place a structure of affiliates, including the general developer Nissho Iwai Real Estate Corp., marketing company Nichimen Nissho Iwai Realnet Corp. and property management company NICOM Property Management Corp., which allows for integrated follow-up from real estate planning proposals to lot sales and management. In an effort to further bolster our comprehensive capabilities, we have included the new affiliate NI Commerce Development Corporation to support our activities in commercial facility development.

Nissho Iwai will continue to adopt initiatives aimed at raising earnings power and business value, focusing on measures that will quickly advance synergy benefits from the business integration with Nichimen Corporation.

NEW BUSINESS DEVELOPMENT GROUP



YASUYUKI FUJISHIMA
In charge of New Business Development Group



- ❶ The Group contributes to the reduction of scrapped automobiles through its proprietary intelligent waste disposal management system.
- ❷ Virus detection kits developed by the Group to support the stable supply of cultured shrimp.
- ❸ Licensing agreement concluded for the distribution of animation title *Divergence Eve* throughout the U.S. and other countries. ©2003 RADIX/Operation EVE

BUSINESS OUTLINE Established in April 2003, the New Business Development Group aims to exploit the opportunities emanating from technological advances and the rapidly changing legal framework. This group serves as an incubator for new businesses in the information technology, environmental technology, and biotechnology fields, fully utilizing Nissho Iwai's strengths as a general trading company. We are endeavoring to maximize profitability through an innovative incubation model that emphasizes enhanced return on investments in tandem with multiple revenue streams generated from related business transactions. This model incorporates investments in existing venture businesses (after due valuation analysis, followed by full support extending from strategy planning and execution to marketing) as well as the establishment of new businesses in cooperation with partners who are leaders in their fields.

BUSINESS MODELS One of the business models that we have successfully launched is RiskMonster.com, a credit data management service provider established in September 2000 in cooperation with Nichimen Corporation and Tokyo Shoko Research, Ltd. With approximately 1,300 member companies (of which 300 are listed), RiskMonster provides accurate credit analysis and forecasts (including bankruptcy forecasts) based on innovative know-how accumulated through our experiences as a general trading company. We continue to support RiskMonster towards its IPO in the near future.

In the IT field, our endeavors are focused on the development of businesses centering on broadband content and services, where explosive growth is expected. With the number of content delivery channels expanding rapidly, from traditional TV broadcasting to multi-channel digital cable, IP-multicast network, and others, the demand for content such as broadcast programs, online games and e-Learning is also expected to see tremendous growth. We have positioned ourselves to take advantage of the myriad business opportunities arising from this swiftly changing landscape by

investing in the production of internationally popular Japanese animation, which is then marketed worldwide through our overseas network.

In the environmental technology field, our efforts are focused on industrial waste management, where we aim to fully leverage our existing network and relations with major automobile companies and metal recycling businesses to provide new waste management tracking and disposal services. The need for such services has arisen due to recent changes in environmental regulations, which clearly fix the entire responsibility for waste disposal on firms from which such waste emanates originally. A case in point is the Automobile Recycling Law, which is slated to come into force from January 2005. We are endeavoring not only to create an innovative business model that provides an intelligent waste disposal management system for scrapped automobiles, making use of the latest IT tools, but also to use this opportunity to enter the scrapped automobile disposal business.

In the Bio-business field, we aim to create new businesses targeting the domestic pharmaceuticals industry, in cooperation with leading domestic and international venture companies.

Also, we are focusing on the development of new products and businesses by promoting cooperation between industries and the academic world. For instance, we have developed virus detection kits jointly with a Japanese venture firm, and are engaged in marketing the same to shrimp cultivation companies overseas using our global network.

In addition, we are developing new businesses such as document management solutions using electronic "inkan" (Japanese name seals), arcade-type photo printer terminals with built-in support for camera-equipped mobile phones, technology transfers pertaining to the development of new drugs in the pharmaceuticals industry, outsourcing for clinical trials of promising medications, and others. We aim to strengthen these efforts by fully exploiting the synergy originating from our merger with Nichimen Corporation, both in terms of marketing as well as human resources, and will make every effort to expand our activities and erect a new pillar of profitability for the Nissho Iwai - Nichimen Group.

SUBSIDIARIES AND AFFILIATES

MAJOR OVERSEAS SUBSIDIARIES AND AFFILIATES

(As of July 1, 2003)

COUNTRY	COMPANY	LINES OF BUSINESS
MACHINERY COMPANY		
BELGIUM	MAZAK NISSHO IWAI EUROPE N.V./S.A.	Sales of CO ₂ laser processing machine
FRANCE	MAZAK LASER FRANCE S.A.R.L.	Sales of CO ₂ laser processing machine
GERMANY	ORC MANUFACTURING VERTRIEBS GMBH	Sales of ultraviolet exposure equipment
INDONESIA	P.T. ARTHACAKRA MULTIFINANCE	Automobile leasing
	P.T. MAHARAJA ARTHASTAR INDONESIA FINANCE	Multifinance services
ITALY	MAZAK LASER ITALIA S.R.L.	Sales of CO ₂ laser processing machine
MALAYSIA	KAWASAKI MOTORS HOLDING (MALAYSIA) SDN., BHD.	Holding company of Kawasaki Motorcycles manufacturing plant
RUSSIA	SUBARU MOTOR LLC.	Distributor of Subaru automobiles
SINGAPORE	HOWA MACHINERY SINGAPORE PTE LTD.	Import and sales of machine tools, and customer service
SPAIN	KIA MOTORS ESPANA, S.A.	Distribution of Kia automobiles
THAILAND	ASIAN TRADE & LEASING CO., LTD.	Multifinance services
	AUTRANS (THAILAND) CO., LTD.	Warehousing and transport operations
	GN LEASING CO., LTD.	Motorcycle leasing
THE PHILIPPINES	AICHI FORGING COMPANY OF ASIA, INC.	Manufacture and sales of steel forging parts
	ASIAN TRANSMISSION CORP.	Transmission manufacturing and engine assembly
	AUTRANS PHILIPPINES CORP.	Warehousing and transport operations
	MITSUBISHI MOTORS PHILIPPINES CORP.	Import, assembly, and distribution of Mitsubishi auto
U.S.A.	MAZAK NISSHO IWAI CORP.	Distributor of laser cutting machines
	METAL PROCESSING SYSTEMS, INC.	Import and sales of metal processing machines
	OAC INC.	Sales of ultraviolet exposure equipment and related parts
VENEZUELA	MMC AUTOMOTRIZ, S.A.	Mitsubishi and Hyundai auto import, assembly, and distribution
VIETNAM	VIETNAM SUZUKI CORP.	Manufacturing and sales of Suzuki automobile and motorcycle
AEROSPACE COMPANY		
IRELAND	SUNROCK AIRCRAFT CORPORATION LTD.	Aircraft operating leasing
U.S.A.	NIASCO AMERICA CORP.	Export of aerospace systems/parts
ENERGY & MINERAL RESOURCES COMPANY		
AUSTRALIA	CATHERINE HILL RESOURCES PTY. LTD.	Coal mining
	KOBE ALUMINA ASSOCIATES (AUSTRALIA) PTY. LTD.	Production and sales of alumina
	NISSHO IWAI RESOURCES (AUSTRALIA) PTY. LTD.	Production and sales of alumina
	WINVIEW PTY. LTD.	Coal mining
	WINNIN PTY. LTD.	Coal mining
CANADA	NISSHO IWAI COAL DEVELOPMENT (CANADA) LTD.	Coal mining
	NISSHO IWAI MOLY RESOURCES, INC.	Molybdenum mining
CZECH	NIKOM, A.S.	Production and sales of ferrovanadium
FRANCE	NISSHIN FRANCE S.A.	Stockholder and management company of SOCIETE LE MICKEL-SLN
SINGAPORE	ASIA CABLE ENGINEERING CO., PTE LTD.	Cable outfitting and connection operations
	NI OFFSHORE TRADE & INVESTMENT PTE LTD.	Investment and trading offshore oil and gas development-related facilities and equipment
	NISSHIN INDUSTRY (SINGAPORE) PTE LTD.	Manufacturing of copper tripod
	NISSHO IWAI PETROLEUM CO., (SINGAPORE) PTE LTD.	Trading of crude oil/oil products
U.S.A.	STRATEGIC MINERALS CORP.	Production and sales of vanadium production
VIETNAM	VIETNAM JAPAN ALUMINIUM CO., LTD.	Manufacturing and sales of aluminum extrusion products

COUNTRY	COMPANY	LINES OF BUSINESS
FOODS & CONSUMER PRODUCTS COMPANY		
AUSTRALIA	EAST VICTORIA PLANTATION FOREST COMPANY OF AUSTRALIA PTY. LTD.	Afforestation
	GREEN TRIANGLE PLANTATION FOREST COMPANY OF AUSTRALIA PTY. LTD.	Afforestation
	NISSHO IWAI MINERAL SANDS (AUSTRALIA) PTY. LTD.	Development, production, and sales of mineral resource
CHINA	TIANJIN SUNSHINE PLASTICS CO., LTD.	Manufacturing and sales of BOPP film
	YINGKOU QUNXING SILICON CARBIDE CO., LTD.	Pulverization of silicon carbide ceramic
INDONESIA	P.T. KALTIM METHANOL INDUSTRI	Manufacture and sales of methanol
	P.T. MITRA MUTIARA WOODTECH	Manufacturing of wooden interior products
KOREA	N.I. AGROSCIENCE CORP.	Promotion control for pesticide sales
MALAYSIA	SAMLING FIBRE BOARD SDN. BHD.	Manufacturing of MDF
	SAMLING PLYWOOD (MIRI) SDN. BHD.	Manufacturing of plywood
PORTUGAL	NEMOTO PORTUGAL-QUMICA FINA, LDA.	Manufacturing and sales of nonorganic fluorescent pigment
THAILAND	MC INDUSTRIAL CHEMICAL CO., LTD.	Import and sales of chemicals
	SNB AGRIPRODUCTS LTD.	Production and sales of crude rice bran oil
	THAI CENTRAL CHEMICAL PUBLIC CO., LTD.	Production and sales of fertilizer
	THAI GCI RESITOP CO., LTD.	Manufacturing and sales of phenol resin
THE PHILIPPINES	AFC FERTILIZER AND CHEMICALS, INC.	Production and sales of fertilizer
U.S.A.	IKKA TECHNOLOGY INC.	Manufacturing and sales of plastic parts and components
	NATIONAL PIPE & PLASTICS, INC.	Manufacturing and sales of PVC pipe
VIETNAM	JAPAN VIETNAM FERTILIZER COMPANY	Production and sales of compound fertilizer
	PTN CHEMICALS COMPANY LTD.	Manufacturing and sales of raw material of detergent alky-benzene sulphonic acid
	VIETNAM-JAPAN CHIP CORP.	Afforestation and woodchip manufacturing
	VIETNAM-JAPAN CHIP VUNG ANG CORP.	Afforestation and woodchip manufacturing
CONSTRUCTION & URBAN DEVELOPMENT COMPANY		
VIETNAM	THE LONG BINH DEVELOPMENT INDUSTRIAL ZONE JOINT VENTURE	Owning, operating, and sales of an industrial park near Ho Chi Minh, Vietnam
OTHERS		
CANADA	INGERSOLL MONZEN INC.	Warehouse service for auto parts
CHINA	SHENZHEN AERO-FASTENERS CO., LTD.	Manufacture and sales of high-grade screws
	SUNROCK INTERNATIONAL CO., LTD.	Insurance broker
GUATEMALA	PILONCITO VERDE S.A.	Production of vegetable plugs
NORWAY	I O S TUBULAR MANAGEMENT AS	Oil-well pipe handling
SINGAPORE	NISSHO IWAI CAPITAL ASIA PTE LTD.	Financial services
	UNIMAX INSURANCE PTE LTD.	Reinsurance underwriting
TAIWAN	TNS LOGISTICS CORP.	Warehouse and logistics operations
THAILAND	UNITED THAI LOGISTICS CO., LTD.	Transport and warehousing
U.K.	AUTRANS EUROPE LTD.	Automobile parts distribution
	NISSHO IWAI INTERNATIONAL FINANCE PLC	Financial services
	NI TUBULARS (UK) LTD.	Sales of pipes
U.S.A.	AIRSHIP MANAGEMENT SERVICES, INC.	Operation of aircraft
	AUTRANS CORP.	Transportation and distribution of auto parts
	ENTREPIA, INC.	Investing
	FEDERATED CAPITAL CORP.	Vendor leasing
	N-I ENERGY DEVELOPMENT, INC.	Sales of oil-well and line piping, and investment in and finance of energy-related projects
	N.I. LOGISTICS AMERICAN CORP.	Global logistics including international and domestic transportation to third parties
	N.I. MOTORS U.S.A. INC.	Holding company of automobile dealers
	RICHARD LEWIS COMMUNICATIONS, INC.	Public relations, advertising, and marketing service agency
	SPECIALTY GRAINS, INC.	Production of special corn and soybeans for use in Japan
	SUNROCK CAPITAL CORP.	Property-secured financing
	SUNROCK INSURANCE BROKERS (U.S.A.) INC.	Insurance broker and consultant
	SUNROCK RISK SERVICES CORP.	Specialized insurance agent
	TACT ASSET MANAGEMENT, INC.	Private investment advisor
	WEATHERFORD MOTORS, INC.	Dealer of automobiles

MAJOR DOMESTIC SUBSIDIARIES AND AFFILIATES

(As of July 1, 2003)

COMPANY	LINES OF BUSINESS
MACHINERY COMPANY	
N.I. EURO-MOTORS CO., LTD.	Sales of Peugeot automobiles
NISSHO IWAI CHUBU MACHINERY CO., LTD.	Sales of industrial robots and machinery equipment
NISSHO IWAI MACHINERY SYSTEM CORP.	Sales of machinery and components in the fields of electronics, engineering plastic & chemicals, advanced materials, the environment, metal processing, and other
NISSHO IWAI MARINE CORPORATION (NIMAC)	Sales and purchase of new and used ships, chartering, ship operation/management, and supervision, sales of marine and industrial machinery
NISSHO IWAI MECHATRONICS CORP.	Factory automation systems and equipment, and humidified refrigerator sales
NISSHO IWAI MOTOR SALES CORP.	Sales of Peugeot automobiles
NISSIN GAS ENGINEERING LTD.	Sales of gas reliquefying devices
NITEC CORP.	Sales of heavy, chemical, food and plastic machinery, systems for media and device, and environmental protection
NI WELDING CORP.	Sales of welding materials
RENT CORP.	Rental of construction machinery, industrial equipment, and vehicles
SENDZIMIR JAPAN, LTD.	Manufacturing and sales of sendzimir rolling mill
AEROSPACE COMPANY	
NI AIRCRAFT LEASING CORP.	Sales and leasing of aircraft
NIASCO CORP.	Sales of aerospace systems/parts
ENERGY & MINERAL RESOURCES COMPANY	
COALINQ CORP.	Coal trading portal site
CREATIVE DIECAST CORP.	Manufacture and machining aluminium diecast products
DAINIPPON FOIL INDUSTRIES CO., LTD.	Processing of food storage wrap
E-ENERGY CORP.	Sales of nuclear fuel and equipment
JECT CORPORATION	Sales of petroleum product
LNG JAPAN CORPORATION	LNG business and related investments
NISSHO IWAI ALCONIX CORP.	Sales and rental of non-ferrous metals
NISSHO IWAI BENTONITE CO., LTD.	Sales of bentonite powder and Volclay panel
NISSHO IWAI FUTURES INC.	Futures commission merchant
NISSHO IWAI PETROLEUM CORP.	Sales of petroleum product and LPG
NISSHO IWAI PETROLEUM GAS CORP.	Import and sales of LPG
NISSHO KOYU CO., LTD.	Sales of petroleum product
TOKYO YUSO CORP.	Warehousing and tank leasing
FOODS & CONSUMER PRODUCTS COMPANY	
DAIICHI KASEI CO., LTD.	Precision molding and assembly
FUJI NIHON SEITO CORPORATION	Sugar refining, developing sugar-related products, and others
FUJI KAKO CO., LTD.	Manufacturing and sales of plastic pipe
GLOBAL CHEMICAL HOLDINGS, INC.	Holding company of NISSHO IWAI CHEMICAL CORP. and NISSHO IWAI KAGAKUHI CO., LTD
JAPAN WAVELOCK CO., LTD.	Processing of plastics and textiles
K.K. NIF	Sales of processed foods
MASUDAYA FOODS CORP.	Wholesale of wheat flour and rice
NCN CO., LTD.	Construction contracting for three-story wood-construction homes
NIPPON CROWN HOUSE CO., LTD.	Sales of wood-frame housing construction materials
NI TECHNOPLAS CO., LTD.	Coloring and processing of ABS synthetic resin
NISSHO IWAI CEMENT CORP.	Wholesale of cement, ready-mixed concrete, and other building materials
NISSHO IWAI FOODS CORP.	Wholesale of sugar and foodstuff
NISSHO IWAI GENERAL MERCHANDISE CORP.	Import and wholesale of general merchandise
NISSHO IWAI HOUSING MATERIALS CORP.	Sales and wholesale of lumber materials
NISSHO IWAI MEAT AND AGRI-PRODUCTS CORP.	Wholesale of meat and prepared foods
NISSHO IWAI PAPER AND PULP CORP.	Import/export and wholesale of paper and pulp
OKAMURA SANKO CO., LTD.	Lumber and sales of building materials
PLA-NET HOLDINGS, INC.	Holding company of NISSHO IWAI PLASTIC CORP.
QUI NHON PLANTATION CO., LTD.	Afforestation in Vietnam
SAMBOW PLASTICS CO., LTD.	Manufacturing and sales of vinyl chloride product

COMPANY	LINES OF BUSINESS
FOODS & CONSUMER PRODUCTS COMPANY	
SEAFESTA CORP.	Sales of marine products for the domestic market
SHIKISHIMA STARCH MFG. CO., LTD.	Manufacture of starch and sweetener
SHINSHU HAM CO., LTD.	Manufacture of ham and sausage
SUN BUILDING MATERIALS CORP.	Wholesale of building materials
SUZUKEN CORP.	Processing and wholesale of lumber and housing materials
TAFUNIC CO., LTD.	Manufacture and sales of agricultural film
TAIHO FILM MANUFACTURING CO., LTD.	Manufacture and sales of polyethylene film
TAIYO CHEMICAL INDUSTRY CO., LTD.	Manufacturing and sales of vinyl chloride film
TAKAICHI CO., LTD.	Manufacturing of polyethylene film
TAKEHARA KOGYO CO., LTD.	Processing of lumber; manufacture and sales of particleboard
THE CHUO WOOLEN MILLS, LTD.	Wool spinning and weaving
TOKUYAMA TSUSHO CORP.	Wholesale of cement, ready-mixed concrete, and other building materials
UNITEC FOODS CO., LTD.	Wholesale of food additives and others
YAHATA CONCRETE CO., LTD.	Manufacture and sales of ready-mixed concrete
YAHATA READY MIXED CONCRETE CO., LTD.	Manufacture and sales of ready-mixed concrete
YOSHIMOTO RINGYO CO., LTD.	Processing and wholesale of lumber and housing materials
CONSTRUCTION & URBAN DEVELOPMENT COMPANY	
CHELSEA JAPAN CO., LTD.	Development and operation of outlet center
KYUSHU URBAN DEVELOPMENT CO., LTD.	Hotel management
NICHIMEN NISSHO IWAI REALNET CORP.	Realtor; sales of private housing
NI COMMERCE DEVELOPMENT CORPORATION	Development and operation of shopping center
NICOM PROPERTY MANAGEMENT CORP.	General maintenance of buildings and condominiums
NISSHO IWAI REAL ESTATE CORP.	Real estate development, sales, and brokerage
SUNROCK DEVELOPMENT INC.	Hotel management and real estate development
TAKARAZUKA KAIHATSU CO., LTD.	Development and sales of condominium
YAMAGATA NEW CITY DEVELOPMENT CORP.	Development and sales of real estate
NEW BUSINESS DEVELOPMENT GROUP	
EBISTRAD, INC.	Integrated e-/non-e business incubation company
NTT DATA 3C CORPORATION	Outsourced call-center services
RISKMONSTER.COM	Credit exposure management, information service of company ratings, and related consulting services
OTHERS	
F R C INC.	Real estate rental management operations
FUKUOKA ENERGY COMMUNICATION	Supply and sales of heat for regional air-conditioning and hot water boilers
FUNABASHI REIZO CENTER CO., LTD.	Warehousing
HOUSE SOLUTION CORP.	Warranty for housing
ITX CORPORATION	Development, investment, and expansion of new business
METAL ONE CORPORATION	Sales of steel products
NI-FUJIX CO., LTD.	Sales of building materials and leasing of temporary construction materials
NIKKYO TRANSPORTATION AND WAREHOUSING CO., LTD.	Transportation and warehousing
NISSHO IWAI ASSET MANAGEMENT LTD.	Asset management
NISSHO IWAI INSURANCE AGENCY CORP.*	Insurance agency
NISSHO IWAI KYUSHU CORP.	Wholesale business
NISSHO IWAI LOGISTICS CORP.**	International and domestic logistics services
NISSHO IWAI-NICHIMEN SHARED SERVICE CORPORATION	Commissioned performance of financing, accounting, personnel, general affairs, risk management, etc. (subsidiary of Nissho Iwai - Nichimen Holdings Corp.)
NISSHO IWAI RESEARCH INSTITUTE, LTD.	Research and consulting
NISSHO IWAI SECURITIES CO., LTD.	Investment advisory business
NI TOURIST CORP.	Travel agency
WORLD LEASING CORP.	Leasing

*Nissho Iwai Insurance Agency Corporation will merge with Nichimen Insurance Center Co., Ltd. on October 1, 2003, establishing Nissho Iwai - Nichimen Insurance Agency Corporation.

**Nissho Iwai Logistics Corporation will merge with Nichimen Logistics Co., Ltd. on August 1, 2003, establishing Nissho Iwai - Nichimen Logistics Corporation.

ENVIRONMENTAL CONSERVATION As the extent of environmental load continues to expand, global environmental concerns assume an increasingly vital role for both present daily life and for future generations. Accordingly, Nissho Iwai has established the corporate vision of creating Tradepia (a portmanteau of trade and utopia) and has positioned global environmental protection as a key priority spanning every facet of its business operations. Both management and employees alike are committed to advancing activities that incorporate concerns for our surroundings and promote an abundant and sustainable environment for future generations. In 1998, we received ISO 14001 certification, the international standard for environmental management systems, from the Lloyd's Register. Based on this standard, Nissho Iwai is contributing to the pursuit of environmentally conscious businesses and the protection of the global environment.

Environmental conservation is increasingly becoming a matter of global concern, reflected in renewed efforts to establish and conform to regulatory controls. This in turn has generated new business models and spawned highly promising new markets for environmentally friendly technologies, products, and services. For example, Nissho Iwai, in conjunction with Nippon Steel Corporation, has delivered coke dry quenching equipment to POSCO of the Republic of Korea, Wuhan Iron & Steel Co. of China, and other companies. This equipment is attracting increasing attention in its ability to inhibit large volumes of heat and dust and for its efficacy in reducing carbon dioxide (CO₂) emissions. Based on our accumulated experience and achievements, we will continue to expand sales and at the same time contribute to environmental protection. In addition, Nissho Iwai and Mitsubishi Heavy Industries, Ltd. jointly commenced a feasibility study in connection with a large-scale project in Indonesia for the reduction of CO₂, proposed in collaboration with Kansai Electric Power Co., Inc. and Electric Power Development Co., Ltd. This

project looks to collect CO₂ emitted from such facilities as liquefied natural gas (LNG) production plants and boilers, and to inject CO₂ into damping oil fields, which can increase the crude oil recovery rate and, as gas is absorbed into the ground, enable CO₂ emissions to be reduced. Through such projects, Nissho Iwai is diligently working to address issues such as global warming and to achieve cutbacks in CO₂ emissions based on the Kyoto protocol.

Moreover, we have adopted a variety of initiatives in the afforestation, resources, and recycling businesses in an effort to further enhance improvements in environmental conservation.

SOCIAL CONTRIBUTION Acting as a member of international society, Nissho Iwai has also lent a helping hand to starving and ill-stricken children around the world. In 1993, we established the Nissho Iwai Tradepia Club, an in-house volunteer group, with the aim of raising awareness and social responsibility, and to raise funds for

underprivileged children. This is a Group-wide initiative with funds collected from local regional and affiliated companies donated to a variety of organizations including Japan UNICEF and Nihon Foster Plan Kyokai to support the medical and educational needs of children in developing countries.

In line with its global environment and social contribution activities, Nissho Iwai has also implemented an employee identification card system with built-in credit-card function. Whenever the credit card contained in the employee identification card is used, a preset percentage of the charged amount is automatically donated to the environmental preservation group Conservation International (CI), which is located in Washington D.C. in the United States.



Coke dry quenching equipment delivered to POSCO of the Republic of Korea in conjunction with Nippon Steel Corporation and POSCO Engineering & Construction Co., Ltd.

FINANCIAL SECTION

CONSOLIDATED SIX-YEAR SUMMARY

Nissho Iwai Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen						Thousands of U.S. dollars	
	2003	2002	2001	2000	1999	1998	2003	
For the years ended March 31:								
Net sales								
(Total trading transactions)	¥4,619,072	¥5,464,524	¥6,474,402	¥7,281,304	¥8,658,906	¥10,052,747	\$38,492,267	
Gross trading profit.....	212,608	265,824	287,731	267,719	272,899	291,332	1,771,733	
Operating income.....	35,463	49,460	62,253	49,088	44,982	59,023	295,525	
Net income (loss).....	(73,850)	1,183	20,041	10,220	(98,542)	3,038	(615,417)	
Earning power.....	22,364	36,897	39,507	29,881	35,688	55,596	186,367	
As of March 31:								
Total assets	¥2,104,260	¥2,957,578	¥3,613,977	¥4,078,286	¥4,658,033	¥5,440,638	\$17,535,500	
Interest-bearing debt	1,514,254	2,027,281	2,543,859	2,911,034	3,376,008	3,945,353	12,618,783	
Total shareholders' equity.....	20,329	106,728	120,276	182,446	166,834	269,310	169,408	
							Yen	U.S. dollars
Per share amounts:								
Net income (loss).....	¥(84.48)	¥ 1.35	¥ 22.92	¥ 11.69	¥(112.69)	¥ 3.47	\$(0.70)	
Shareholders' equity.....	23.26	122.06	137.55	208.65	190.79	307.99	0.19	
Cash dividends	—	—	—	—	—	5.00	—	
							%	
Ratios:								
Return on assets.....	—	0.04%	0.5%	0.2%	—	0.1%		
Return on equity	—	1.0%	13.2%	5.9%	—	1.1%		
Net debt/equity ratio.....	67.7	17.3	18.7	14.2	18.6	13.4		

Notes: 1. Yen amounts have been translated for convenience only, at ¥120=U.S.\$1.

2. Earning power=operating income+provision for doubtful receivables+net interest income+dividend income+equity-method income

3. Foreign currency translation adjustments, which were formerly included in assets, have been included in shareholders' equity in accordance with a change in accounting standards in the fiscal year ended March 2001. In the same year unrealized losses on available-for-sale securities, which were recognized by applying mark-to-market accounting at year-end, have been recorded in the shareholders' equity section.

4. Notes discounted, included in interest-bearing debt until fiscal 2002, are excluded in fiscal 2003.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Nissho Iwai Corporation and Consolidated Subsidiaries

OVERVIEW

During the fiscal year ended March 31, 2003, the Japanese economy was characterized by mixed results. In the first half, the domestic economy experienced a slow export-led recovery, with steady production, particularly toward Asia. In the second half, however, stock and commodity prices continued to deteriorate reflecting significant concern over the bad debt problem, leading to overall stagnant conditions. Despite efforts by the government to arrest this decline through such measures as the establishment of the Industrial Revitalization Corporation, relief from prolonged deflation is not expected in the short term.

From a global perspective, the fiscal year under review was one enveloped in geopolitical risk, highlighted by anxieties over the situation in Iraq. Growing concerns over corporate accounting and the collapse of the IT bubble were brought very much to the surface with successive large-scale corporate failures in the U.S. The U.S. government, however, was quick in implementing effective measures including the lowering of interest rates and the substantial reduction of taxes. As a result, the U.S. economy continued its recovery, driven by strong personal consumption and residential investment. In Europe, economic conditions remained weak as appreciation of the euro impacted exports, and oil prices continued to rise. The Asian economies were generally robust, led by significant growth in China.

Against the backdrop of an overall weak operating environment, Nissho Iwai Corporation implemented a reorganization of business portfolios and reform of its earnings structure by focusing on core businesses. As a result, net sales (total trading transactions) amounted to ¥4,619.1 billion for the fiscal year ended March 31, 2003, a decrease of 15.5% compared with the previous fiscal year.

Gross trading profit declined 20.0% to ¥212.6 billion, mainly from the transfer of the steel products, LNG, and chemicals businesses to affiliates under the equity method in accordance with our alliance strategy, and the deterioration in the information industry category. Despite a stringent Companywide review of expenses and a year-on-year reduction in selling, general and administrative (SG&A) expenses of ¥39.2 billion, operating income fell 28.3% to ¥35.5 billion, battered by the decline in gross trading profit.

Nissho Iwai benefited from a reduction in net interest expense underpinned by the Company's efforts to improve its financial position. The Company was also buoyed by improvements in equity in gains of unconsolidated subsidiaries and affiliates due to the reorganization of business portfolios. These gains however were insufficient to offset expenses caused by a dramatic depreciation in Nissho Iwai's information industry operations and extraordinary loss as a result of accelerated write down of investment securities in preparation for the Company's business integration with Nichimen Corporation. After accounting for the aforementioned, the Company posted a loss before income taxes of ¥78.1 billion. After income taxes and minority interests in consolidated subsidiaries, the net loss amounted to ¥73.9 billion for the fiscal year under review.

The fiscal year under review was the first year of Nissho Iwai's new three-year management plan, an ongoing plan aimed at streamlining assets and liabilities. The Company has made considerable progress toward achieving this goal, reducing

total assets by ¥853.3 billion to ¥2,104.3 billion as of March 31, 2003, and cutting interest-bearing debt to ¥1,514.3 billion, a drop of ¥513.0 billion as of the end of the previous fiscal year.

Medium-Term Management Plan

Nissho Iwai announced its "Medium-Term Management Plan 2005" in January 2002, covering the three-year period from April 2002 to March 2005. Thereafter, the Company announced its plans to integrate its business with Nichimen Corporation in January 2003. Following approval at an extraordinary general meeting of shareholders in February 2003, a joint holding company, Nissho Iwai - Nichimen Holdings Corporation was established in April 2003. Accordingly, the management plan has been replaced by the new holding company's business plan for the three-year period from April 2003 to March 2006.

RESULTS OF OPERATIONS

Net Sales

Net sales (total trading transactions) decreased 15.5% year on year to ¥4,619.1 billion owing to the Company's reorganization of business portfolios, resulting in a drop of ¥658.5 billion, lower contributions from Nissho Iwai American Corporation, and the impact of harsh market conditions on its information industry category. The appreciation of the yen against the U.S. dollar to ¥121.95 from ¥125.17 (average rates) and from ¥131.95 to ¥119.90 for overseas companies, negatively affected net sales by approximately ¥110.0 billion (exports accounting for ¥25.0 billion, imports for ¥35.0 billion, and offshore transactions ¥50.0 billion).

As reported in the "Analysis by Industry Segment" section, year-on-year sales fell across all business segments excluding the construction & urban development category, with a strong performance by consolidated subsidiaries' condominium businesses.

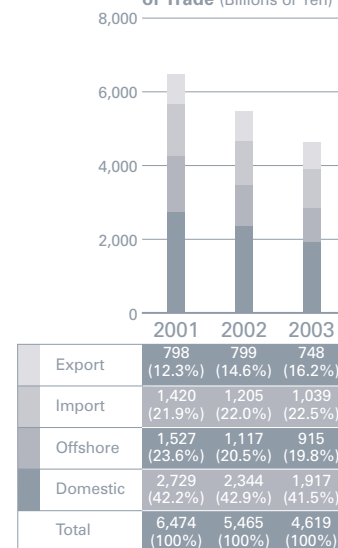
By type of trade, exports decreased 6.4%, imports fell 13.7%, and domestic sales and offshore transactions declined 18.2% and 18.1%, respectively.

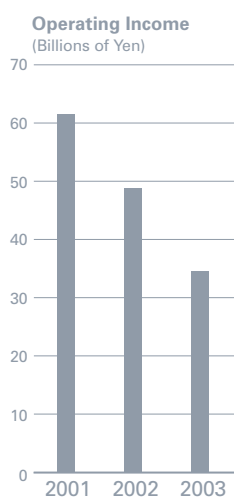
Costs, Expenses, and Earnings

Cost of sales dropped 15.2% to ¥4,406.5 billion owing to the lower volume of sales. Accordingly, gross trading profit decreased 20.0% to ¥212.6 billion. Battered by harsh business conditions in the highly profitable information industry category, sales and gross trading profit deteriorated despite efforts to reorganize business portfolios on the basis of selection and concentration. Overall, the gross trading profit ratio declined from 4.86% to 4.60%. All business categories suffered a drop in profits, with gross trading profit falling ¥26.7 billion due to the reorganization of business portfolios.

Selling, general and administrative (SG&A) expenses dropped 18.1% to ¥177.1 billion on the back of the transfer of subsidiaries to affiliates under the equity method in accordance with restructuring measures, cost structure reforms, and the impact of an appreciation in the yen at overseas companies. Consequently, operat-

Transactions by Type of Trade (Billions of Yen)





Total	62	49	35
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ing income decreased ¥14.0 billion year on year, to ¥35.5 billion. Subtracting ¥2.0 billion to reorganize the Company's business portfolio and a decline of ¥14.8 billion in the information industry-related category, the Company secured an increase in net revenue, as a result of reducing SG&A expenses.

In other income (expenses), Nissho Iwai benefited from a reduction in interest expense underpinned by the Company's efforts to reduce interest-bearing debt. The Company was also buoyed by improvements in equity in gains of unconsolidated subsidiaries and affiliates due to the reorganization of business portfolios. These gains however were insufficient to offset the dramatic depreciation in Nissho Iwai's information industry category and the extraordinary loss as a result of accelerated write down of investment securities totaling ¥28.1 billion, and increase in provision for overseas doubtful receivables of ¥20.9 billion, in preparation for the Company's business integration with Nichimen Corporation. As a result, the Company posted a loss before income taxes of ¥78.1 billion. After income taxes and minority interests in consolidated subsidiaries, the net loss amounted to ¥73.9 billion for the fiscal year under review.

Analysis by Industry Segment

An overview of results by industry segment is provided as follows:

Machinery

Sales in the machinery category fell 11.2% year on year to ¥998.4 billion due to the drop in performance of our automotive assembly and distribution subsidiary in Latin America, which had contributed significantly in the previous fiscal year. Operating income dropped 15.6% to ¥6.1 billion.

Information Industry

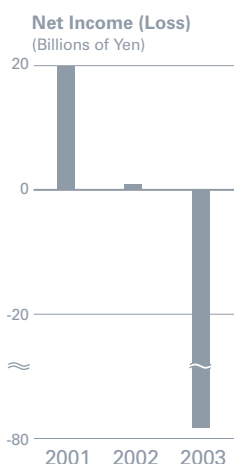
Sales in the information industry category slipped 8.1% to ¥265.3 billion, and operating income declined 63.1% to ¥8.7 billion. Performance was impacted by an overall weakness in domestic and global IT markets, particularly in the U.S., as seen by corporate cutbacks and postponement of IT-related investment.

Metals

On January 1, 2003, Nissho Iwai and Mitsubishi Corporation established an independent joint-venture company, Metal One Corporation, the first step in the spin-off of their respective steel products businesses. This business reorganization by the Company produced a drop in sales in the metals category of 27.7% to ¥487.6 billion. Operating income fell in this category by 28.6% to ¥3.0 billion.

Energy & Mineral Resources

Sales in this category declined 21.2% to ¥900.1 billion due to restructuring in the LNG business and a reduction in oil-related transactions in Japan. Operating income, on the other hand, jumped 43.6% to ¥5.7 billion, reflecting efforts to curtail selling, general and administrative expenses.



Total	20	1	(74)
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Foods & Consumer Products

Sales in this category were slightly down compared with the previous fiscal year, falling 2.7% to ¥512.1 billion, owing to a drop in market prices for marine products. Operating income edged down 4.3% to ¥4.1 billion.

Chemicals & Housing Materials

Under the terms of a tie-up with Nichimen Corporation in this category, Nissho Iwai has transferred ownership of its consolidated subsidiaries, Nissho Iwai Chemical Corporation and Nissho Iwai Kagakuin Co., Ltd. to Global Chemical Holdings, Inc., an equity-method subsidiary jointly held by Nichimen and Nissho Iwai. As a result sales in this category fell 22.2% to ¥392.9 billion, while operating income surged 53.2% to ¥6.8 billion due to cuts in selling, general and administrative expenses.

Construction & Urban Development

A strong performance in the condominium business drove sales in this category to ¥174.9 billion, an increase of 5.9% year on year. Operating income however dropped 36.3% to ¥3.6 billion, owing to the transfer of profitable consolidated subsidiaries in the previous fiscal year to affiliates under the equity method.

Overseas Subsidiaries

Impacted by weak U.S. and European economies, our overseas subsidiaries, including Nissho Iwai American Corporation and Nissho Iwai Europe PLC, reported reduced revenues for the fiscal year under review. As a result, sales in this category fell 10.2% to ¥702.7 billion. There was an overall operating loss in this category of ¥0.2 billion.

Other Businesses

As part of Nissho Iwai's plan to spin-off its steel products business, the steel-related business of the Company's domestic network of regional steel-related companies and branches were transferred to Metal One Corporation, a joint-venture company established with Mitsubishi Corporation, and an affiliate under the equity method. With these transfers, sales in this category declined 27.8% to ¥185.1 billion. The exclusion from the scope of consolidation of certain unprofitable subsidiaries however, led to an increase in operating income of 178.6% to ¥2.9 billion.

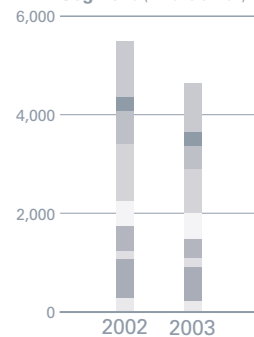
LIQUIDITY AND FINANCIAL RESOURCES

Analysis of Cash Flows

Net cash provided by operating activities fell ¥67.9 billion to ¥110.1 billion. The key sources of cash were decreases in trade receivables and inventories.

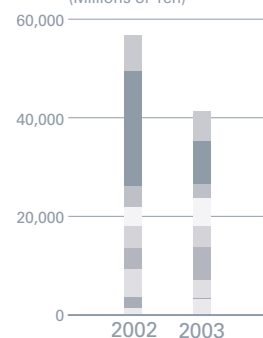
Net cash provided by investing activities fell ¥102.0 billion to ¥128.5 billion. The Company took steps to reduce the balance of time deposits, short-term securities and investment securities, and to accelerate recovery of short- and long-term loans receivable. As a result, free cash flows totaled ¥238.6 billion. Funds were utilized to

Sales by Industry Segment (Billions of Yen)

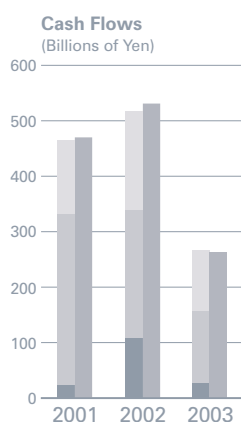


Machinery	1,124 (20.6%)	998 (21.6%)
Information industry	289 (5.3%)	265 (5.7%)
Metals	675 (12.4%)	488 (10.6%)
Energy & Mineral Resources	1,142 (20.9%)	900 (19.5%)
Foods & Consumer Products	527 (9.6%)	512 (11.1%)
Chemicals & Housing Materials	505 (9.2%)	393 (8.5%)
Construction & Urban Development	165 (3.0%)	175 (3.8%)
Overseas Subsidiaries	782 (14.3%)	703 (15.2%)
Other	256 (4.7%)	185 (4.0%)
Total	5,465 (100%)	4,619 (100%)

Operating Income (Loss) by Industry Segment (Millions of Yen)

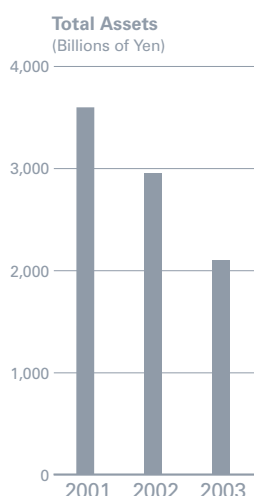


Machinery	7,243 (13.3%)	6,114 (15.0%)
Information industry	23,507 (43.3%)	8,666 (21.1%)
Metals	4,180 (7.7%)	2,986 (7.2%)
Energy & Mineral Resources	3,975 (7.3%)	5,706 (14.0%)
Foods & Consumer Products	4,295 (7.9%)	4,110 (10.0%)
Chemicals & Housing Materials	4,456 (8.2%)	6,828 (16.7%)
Construction & Urban Development	5,623 (10.4%)	3,584 (8.8%)
Overseas Subsidiaries	(2,264) (-%)	(180) (-%)
Other	1,052 (1.9%)	2,929 (7.2%)
Total	52,067 (100%)	40,743 (100%)

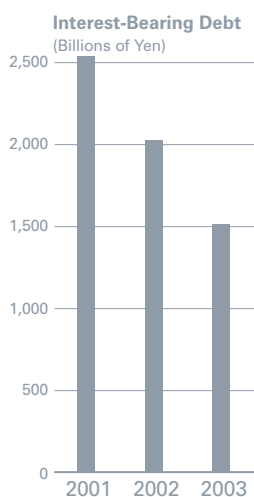


Net cash provided by operating activities	133	178	110
Net cash provided by investing activities	308	230	129
Net cash used by financing activities	(470)	(531)	(262)
Net increase (decrease) in cash*	(24)	(110)	(27)

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



Total	3,614	2,958	2,104
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Total	2,544	2,027	1,514
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reduce interest-bearing debt in an effort to improve financial position.

In the fiscal year under review, the Company continued its policy of reducing interest-bearing debt. As a result, net cash used in financing activities declined ¥268.9 billion to ¥262.3 billion.

After accounting for the effect of exchange rate changes and changes to the scope of consolidation, total cash and cash equivalents as of the end of the fiscal year amounted to ¥117.1 billion.

The consolidated statements of cash flows attached have been prepared excluding the impact of the spin-off of the steel products and other businesses, in accordance with accounting standards.

Analysis of Financial Position

As part of the Company's policy to adopt a more selective and focused approach to its business activities, Nissho Iwai spun off its steel products business and converted its information industry subsidiaries to affiliates under the equity method. As a result, the balance of trade notes receivable fell 61.8%, trade accounts receivable decreased 28.5%, and inventories declined 23.3%. Accounting for the aforementioned factors, total current assets dropped 31.3% to ¥1,120.9 billion.

Total current liabilities contracted 23.5% to ¥1,657.2 billion. Short-term debt, principally unsecured, decreased 19.9% to ¥909.0 billion, while current portion of long-term debt declined 30.2% to ¥215.8 billion, in line with the reduction in assets. At the same time, trade notes payable fell 33.2% to ¥104.4 billion and trade accounts payable decreased 37.2% to ¥229.7 billion due to the spin-off of Nissho Iwai's steel products business and the transfer of its information industry subsidiaries to affiliates under the equity method.

Investments and non-current receivables dropped 27.2% to ¥551.0 billion owing to the redemption of bonds and debentures, sale of investment securities, write down of investment securities, and the collection of long-term loans to overseas subsidiaries. Property and equipment, at cost, declined 15.7% to ¥341.0 billion.

As of March 31, 2003, Nissho Iwai's total assets stood at ¥2,104.3 billion, a drop of ¥853.3 billion compared with the previous fiscal year-end. In line with the fall in assets, Nissho Iwai reduced interest-bearing debt by ¥513.0 billion to ¥1,514.3 billion. Accounting for the balance of cash, cash equivalents, and time deposits at the end of the fiscal year, net interest-bearing debt at year-end stood at ¥1,376.4 billion, a decline of ¥438.5 billion.

Shareholders' equity declined by ¥86.4 billion to ¥20.3 billion reflecting the loss incurred during the fiscal year under review as the Company began preparations for the business integration with Nichimen Corporation, an increase in foreign currency translation adjustments brought on by the appreciation of the yen, and the rise in unrealized losses on available-for-sale securities owing to the sharp decline in stock prices.

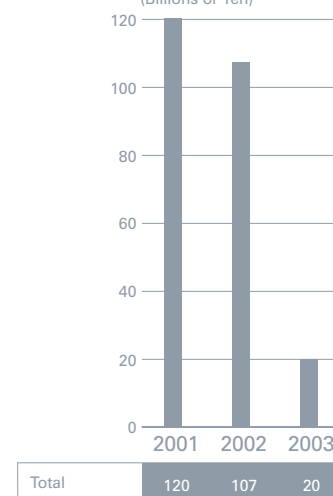
In May 2003, Nissho Iwai - Nichimen Holdings Corporation, the parent company of Nissho Iwai, completed payment procedures for equity financing that totaled ¥278.2 billion, comprising ¥266.0 billion in preferred stock, ¥7.2 billion in common stock, and ¥5.0 billion in yen denominated bonds with stock acquisition rights. The ¥5.0 billion in yen denominated bonds with stock acquisition rights is an initial issue from a capital-raising commitment facility of ¥50.0 billion. As of May 15, 2003, Nissho Iwai received approximately ¥163.2 billion from the procurement of funds through the issue of preferred and common stock, significantly strengthening shareholders' equity. Through this equity financing, Nissho Iwai has taken steps to ensure stable medium- to long-term funds for the purpose of establishing fresh investments and continuously streamlining assets, reinforcing financial strength, and improving its debt-to-equity ratio.

Performance under the Scope of Consolidation

For the fiscal year ended March 31, 2003, 240 companies were consolidated, a decrease of 90 companies from a year earlier. The principal factors contributing to this decline were the spin-off of 37 consolidated subsidiaries related to the steel products business, and the conversion of 34 consolidated subsidiaries to equity-method affiliates in the information industry category. The 240 consolidated subsidiaries comprised 75 domestic and 165 overseas companies.

Affiliates under the equity method fell by 70 to 120, comprising 51 domestic companies and 69 overseas companies. The decline was attributed to movements in consolidated subsidiaries identified above, with a drop in the steel products-related field and the information industry category of 27 and 23 companies, respectively. Although the ratio of profitable companies accounted for by the equity method improved 1.5 percentage points to 68.3%, consolidated subsidiaries fell 4.4 percentage points to 71.7%. As a result, the aggregate ratio of profitable companies edged down 2.1% to 70.6%, maintaining a ratio above 70% amidst difficult operating conditions.

Shareholders' Equity
(Billions of Yen)



Years ended March 31

	2003			2002		
	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Consolidated subsidiaries.....	172 (71.7%)	68 (28.3%)	240 (100%)	251 (76.1%)	79 (23.9%)	330 (100%)
Companies accounted for by the equity method.....	82 (68.3%)	38 (31.7%)	120 (100%)	127 (66.8%)	63 (33.2%)	190 (100%)
Total	254 (70.6%)	106 (29.4%)	360 (100%)	378 (72.7%)	142 (27.3%)	520 (100%)

(numbers in parentheses represent % of total)

CONSOLIDATED BALANCE SHEETS

Nissho Iwai Corporation and Consolidated Subsidiaries
March 31, 2003 and 2002

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	2003
Current assets:			
Cash and cash equivalents (Note 4)	¥ 117,117	¥ 157,758	\$ 975,975
Time deposits (Note 4)	20,757	22,327	172,975
Short-term securities (Notes 3 and 4)	6,264	24,178	52,200
Receivables:			
Trade notes (Note 4)	79,588	208,403	663,233
Trade accounts (Note 4)	424,606	593,753	3,538,383
Loans (Note 4)	100,695	156,714	839,125
Unconsolidated subsidiaries and affiliates	96,186	88,436	801,550
Allowance for doubtful receivables	(40,980)	(38,099)	(341,500)
Inventories (Note 4)	199,138	259,554	1,659,483
Advance payments to suppliers	21,084	29,006	175,700
Deferred tax assets—current (Note 11)	10,390	13,746	86,583
Other current assets	86,028	115,614	716,901
Total current assets	1,120,873	1,631,390	9,340,608
Investments and non-current receivables:			
Investment securities (Notes 3 and 4)	172,107	305,189	1,434,225
Investments in and advances to unconsolidated subsidiaries and affiliates	139,018	159,026	1,158,483
Long-term loans, receivables and other (Note 4)	302,493	373,652	2,520,775
Allowance for doubtful receivables	(62,596)	(80,590)	(521,633)
	551,022	757,277	4,591,850
Property and equipment, at cost (Note 4):			
Land	103,606	119,764	863,383
Buildings and structures	139,283	161,775	1,160,692
Equipment and fixtures	212,289	275,970	1,769,075
Construction in progress	11,314	10,722	94,283
Accumulated depreciation	(125,470)	(163,897)	(1,045,583)
	341,022	404,334	2,841,850
Other assets:			
Deferred tax assets—non-current (Note 11)	57,240	59,892	477,000
Intangible assets and deferred charges	34,103	104,685	284,192
	¥2,104,260	¥2,957,578	\$17,535,500

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 7)
	2003	2002	2003
Current liabilities:			
Short-term debt, principally unsecured (Notes 4 and 5)	¥ 909,017	¥1,134,759	\$ 7,575,142
Commercial paper	19,300	3,801	160,833
Current portion of long-term debt (Notes 4 and 5).....	215,766	309,174	1,798,050
Payables:			
Trade notes (Note 4).....	104,379	156,252	869,825
Trade accounts (Note 4).....	229,723	365,729	1,914,358
Unconsolidated subsidiaries and affiliates.....	8,431	8,259	70,258
Accrued liabilities	9,645	17,873	80,375
Income taxes payable.....	4,330	13,743	36,083
Advances received from customers	21,982	32,060	183,183
Deferred tax liabilities—current (Note 11).....	96	242	800
Other current liabilities	134,514	125,012	1,120,951
Total current liabilities.....	1,657,183	2,166,904	13,809,858
Non-current liabilities:			
Long-term debt, less current portion (Notes 4 and 5).....	370,171	547,186	3,084,758
Employees' severance and retirement benefits (Note 10).....	12,371	26,002	103,092
Deferred tax liabilities—non-current (Note 11).....	5,747	11,595	47,892
Other non-current liabilities (Note 4)	30,333	32,863	252,775
	418,622	617,646	3,488,517
Minority interests in consolidated subsidiaries.....	8,126	66,300	67,717
Contingent liabilities (Note 12)			
Shareholders' equity:			
Common stock (Note 6)	102,938	102,938	857,817
Capital surplus (Note 6)	98,893	98,890	824,108
Accumulated deficit (Note 6).....	(95,253)	(23,804)	(793,776)
	106,578	178,024	888,149
Unrealized losses on available-for-sale securities	(27,214)	(21,800)	(226,783)
Foreign currency translation adjustments.....	(59,013)	(49,494)	(491,775)
Treasury stock	(22)	(2)	(183)
Total shareholders' equity.....	20,329	106,728	169,408
	¥2,104,260	¥2,957,578	\$17,535,500

CONSOLIDATED STATEMENTS OF OPERATIONS

Nissho Iwai Corporation and Consolidated Subsidiaries
Years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2002	2001	2003
Net sales (Total trading transactions) (Note 8)	¥4,619,072	¥5,464,524	¥6,474,402	\$38,492,267
Cost of sales (Note 8)	4,406,464	5,198,700	6,186,671	36,720,534
Gross trading profit	212,608	265,824	287,731	1,771,733
Selling, general and administrative expenses	177,145	216,364	225,478	1,476,208
Operating income	35,463	49,460	62,253	295,525
Other income (expenses):				
Interest and dividend income	29,256	60,780	87,140	243,800
Interest expense	(46,377)	(78,001)	(109,271)	(386,475)
Equity in gains (losses) of unconsolidated subsidiaries and affiliates	2,133	531	(6,536)	17,775
Other, net (Note 9)	(98,579)	(22,806)	(2,650)	(821,492)
Income (loss) before income taxes	(78,104)	9,964	30,936	(650,867)
Income taxes (Note 11):				
Current	5,657	20,222	25,045	47,142
Deferred	4,566	(14,836)	(13,845)	38,050
Total	10,223	5,386	11,200	85,192
Minority interests in consolidated subsidiaries	14,477	(3,395)	305	120,642
Net income (loss)	¥ (73,850)	¥ 1,183	¥ 20,041	\$ (615,417)
			Yen	U.S. dollars
Net income (loss) per share—basic	¥ (84.48)	¥ 1.35	¥ 22.92	\$ (0.70)
Net income per share—diluted	—	1.35	21.59	—
Cash dividends per share	—	—	—	—

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nissho Iwai Corporation and Consolidated Subsidiaries
Years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2002	2001	2003
Common stock (Note 6):				
Balance at beginning of year.....	¥102,938	¥102,938	¥102,938	\$ 857,817
Balance at end of year.....	¥102,938	¥102,938	¥102,938	\$ 857,817
Capital surplus (Note 6):				
Balance at beginning of year.....	¥ 98,890	¥ 98,890	¥ 98,890	\$ 824,083
Balance at end of year.....	¥ 98,893	¥ 98,890	¥ 98,890	\$ 824,108
Accumulated deficit (Note 6):				
Balance at beginning of year.....	¥ (23,804)	¥ (8,538)	¥ (19,382)	\$(198,367)
Net income (loss)	(73,850)	1,183	20,041	(615,417)
Appropriation:				
Bonuses to directors and corporate auditors.....	(14)	(33)	(37)	(117)
Effect arising from changes of subsidiaries and affiliates for consolidation	2,415	(1,162)	(4,806)	20,125
Transfer to unrealized gains on available-for-sale securities (Note 2)	—	—	(4,354)	—
Transfer to losses on available-for-sale securities (Note 2)	—	(15,254)	—	—
Balance at end of year.....	¥ (95,253)	¥ (23,804)	¥ (8,538)	\$(793,776)
Unrealized losses on available-for-sale securities:				
Balance at beginning of year.....	¥ (21,800)	¥ (5,297)	¥ —	\$(181,667)
Unrealized losses on available-for-sale securities.....	(5,414)	(31,757)	(5,297)	(45,116)
Transfer from accumulated deficit (Note 2)	—	15,254	—	—
Balance at end of year.....	¥ (27,214)	¥ (21,800)	¥ (5,297)	\$(226,783)
Foreign currency translation adjustments:				
Balance at beginning of year.....	¥ (49,494)	¥ (67,717)	¥ —	\$(412,450)
Foreign currency translation adjustments.....	(9,519)	18,223	(67,717)	(79,325)
Balance at end of year.....	¥ (59,013)	¥ (49,494)	¥ (67,717)	\$(491,775)
Treasury stock:				
Balance at beginning of year.....	¥ (2)	¥ —	¥ —	\$ (16)
Purchase of treasury stock.....	(20)	(2)	—	(167)
Balance at end of year.....	¥ (22)	¥ (2)	¥ —	\$ (183)
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)				
	874,434	874,434	874,434	

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nissho Iwai Corporation and Consolidated Subsidiaries
Years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2002	2001	2003
Cash flows from operating activities:				
Income (loss) before income taxes.....	¥ (78,104)	¥ 9,964	¥ 30,936	\$ (650,867)
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities:				
Depreciation and amortization.....	22,567	27,233	25,383	188,058
Amortization of goodwill recognized on consolidation.....	5,990	6,135	4,009	49,917
Increase (decrease) in employees' retirement benefits.....	(9,032)	13,948	4,939	(75,267)
Increase (decrease) in provision for doubtful receivables.....	(11,403)	5,819	(1,205)	(95,025)
Interest and dividend income.....	(29,256)	(60,780)	(87,140)	(243,800)
Interest expense.....	46,377	78,001	109,271	386,475
Foreign exchange loss—net.....	3,964	90	6,323	33,033
Equity in losses (gains) of unconsolidated subsidiaries and affiliates.....	(2,133)	(531)	6,536	(17,775)
Impairment loss of goodwill (recognized on consolidation).....	18,990	—	—	158,250
Losses on transfer of business operations.....	4,560	—	—	38,000
Loss (gain) on disposal of properties—net.....	2,162	4,554	(14,364)	18,017
Gain on sale of securities—net.....	(9,985)	(18,121)	(89,494)	(83,208)
Dilution losses (gains) from changes in equity interest.....	4,572	(12,532)	—	38,100
Loss on revaluation of securities.....	28,053	15,731	33,786	233,775
Decrease in trade receivables.....	48,237	224,311	109,874	401,975
Decrease in inventories.....	13,617	29,410	40,788	113,476
Decrease in other assets.....	36,991	53,542	50,943	308,258
Increase (decrease) in trade payables.....	23,869	(133,978)	(36,698)	198,908
Increase (decrease) in other liabilities.....	16,792	(36,205)	(14,742)	139,933
Bonuses to directors and corporate auditors.....	(25)	(62)	(44)	(208)
	136,803	206,529	179,101	1,140,025
Interest and dividends received.....	38,299	59,058	83,903	319,158
Interest paid.....	(48,795)	(79,377)	(112,104)	(406,625)
Income taxes paid.....	(16,212)	(8,167)	(17,923)	(135,100)
Net cash provided by operating activities.....	110,095	178,043	132,977	917,458
Cash flows from investing activities:				
Decrease (increase) in time deposits.....	1,395	(4,611)	11,597	11,625
Decrease in short-term securities—net.....	13,717	24,136	86,173	114,308
Payments for property and equipment.....	(26,612)	(37,892)	(70,272)	(221,767)
Proceeds from disposal of properties.....	19,678	12,960	61,282	163,983
Payments for purchase of investment securities.....	(33,511)	(52,800)	(91,312)	(279,258)
Proceeds from redemption and sale of investment securities.....	109,191	229,729	200,912	909,925
Decrease in short-term loans receivable—net.....	27,681	74,072	94,848	230,675
Additions to long-term loans receivable.....	(32,259)	(67,384)	(89,366)	(268,825)
Decrease in long-term loans receivable.....	98,789	37,353	126,053	823,242
Payments for acquisition of newly consolidated subsidiaries.....	(111)	(7,500)	(39,273)	(925)
Proceeds (outflow) from sale of investment securities in consolidated subsidiaries.....	(17,139)	39,102	—	(142,825)
Other.....	(32,301)	(16,670)	17,806	(269,175)
Net cash provided by investing activities.....	128,518	230,495	308,448	1,070,983
Cash flows from financing activities:				
Increase (decrease) in short-term debt—net.....	(83,644)	19,869	(67,476)	(697,033)
Increase (decrease) in commercial paper.....	15,499	(50,000)	(3,600)	129,158
Proceeds from issuance of bonds.....	14,472	30,864	12,548	120,600
Redemption of bonds.....	(87,019)	(102,808)	(132,780)	(725,158)
Proceeds from other long-term debt.....	190,246	76,797	134,122	1,585,383
Repayments of other long-term debt.....	(318,934)	(525,489)	(412,905)	(2,657,783)
Proceeds from issuance of common stock to minority shareholders.....	7,272	19,857	—	60,600
Dividends paid to minority shareholders.....	(217)	(366)	(214)	(1,808)
Payments for purchase of treasury stock.....	(20)	(2)	—	(167)
Net cash used by financing activities.....	(262,345)	(531,278)	(470,305)	(2,186,208)
Effect of exchange rate changes on cash and cash equivalents.....	(3,137)	12,887	5,009	(26,141)
Net decrease in cash and cash equivalents.....	(26,869)	(109,852)	(23,870)	(223,908)
Cash and cash equivalents at beginning of year.....	157,758	274,909	298,779	1,314,650
Increase in cash and cash equivalents due to merger and increase in consolidated subsidiaries.....	1,084	2,291	—	9,033
Decrease in cash and cash equivalents due to merger and increase in consolidated subsidiaries.....	(1,744)	(9,590)	—	(14,533)
Decrease in cash and cash equivalents due to spin-off of steel products business.....	(13,112)	—	—	(109,267)
Cash and cash equivalents at end of year.....	¥117,117	¥157,758	¥274,909	\$ 975,975

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nissho Iwai Corporation and Consolidated Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Nissho Iwai Corporation (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements have been restructured

and translated into English (with some expanded descriptions and the inclusion of statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the readers using the prevailing exchange rate at March 31, 2003, which was ¥120 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company and its 240 (330 in 2002, 350 in 2001) significant companies, over which the Company has control through majority voting right or certain other conditions evidencing control by the Company. Investments in 120 (190 in 2002, 187 in 2001) unconsolidated subsidiaries and affiliates (generally 20-50% ownership), over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for by the equity method. Many subsidiaries are consolidated using 12/31 fiscal year-ends. Intercompany transactions and accounts have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries. The excess of costs of the Company's investments in subsidiaries and affiliates over its equity in the fair value of net assets at dates of acquisition is, with minor exceptions or not being allowed definite useful life or no longer amortized, being amortized on the straight-line basis over periods ranging from five years to twenty years. Certain overseas subsidiaries do not amortize such excess costs and record impairment losses in accordance with local accounting standards.

Cash and cash equivalents

Cash and cash equivalents include short-term investments, which are readily convertible into cash and have insignificant risk of change in value with original maturities of three months or less.

Allowance for doubtful receivables

The Companies provide the allowance for doubtful accounts principally at an amount computed based on the actual ratio of bad debts in the past and the estimated uncollectible amounts based on the analysis of certain individual receivables.

Short-term securities and investment securities

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

Effective from April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the new Japanese accounting standard for financial instruments.

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

- (a) Trading securities are stated at fair value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change.
- (b) Held-to-maturity debt securities are stated at amortized cost.
- (c) Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost.
- (d) Available-for-sale securities with available fair market values held by the Company are stated at fair market value based on the average market price in the month before the balance sheet date for the year ended March 31, 2003 and 2002, and were stated at fair market value at the end of the year for the year ended March 31, 2001.

The Company adopted this new method in 2002 in order to avoid the effects of short-term fluctuations in the market prices. This change resulted in an increase in investment securities of ¥2,580 million and decreases in deferred tax assets of ¥1,084 million and unrealized losses on available-for-sale securities of ¥1,495 million for the year ended March 31, 2002. Available-for-sale securities with available fair values held by the consolidated subsidiaries are principally stated at year-end fair market value. Unrealized gains and losses on available-for-sale securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities with no available fair market values are stated at moving-average cost.

As a result of adopting the new accounting standard for financial instruments, unrealized losses of ¥5,297 million were recorded, net of tax and minority interest, in shareholders' equity for the year ended March 31, 2001. Also, as a result of this change amounts recorded by certain subsidiaries in the United States of America totalling ¥4,354 million were reclassified from accumulated deficit to "Unrealized losses on available-for-sale securities" in shareholders' equity.

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

The Company, at the General Meeting of Shareholders on June 27, 2001, resolved to eliminate the losses on available-for-sale securities as of March 31, 2001, by the transfer of ¥15,254 million to accumulated deficit.

Inventories

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

Property and equipment

Property and equipment are stated at cost. Depreciation is computed primarily by the declining-balance method for assets held by the Company and its domestic subsidiaries, except that buildings and structures in the Nissho Iwai Shin-Yokohama Center and buildings acquired after March 31, 1998 are depreciated by the straight-line method. Useful lives are determined in accordance with Japanese tax laws. Assets held by foreign subsidiaries are depreciated in accordance with local accounting standards, principally by the straight-line method.

Repair and maintenance expenditures are charged to expense when incurred.

Software costs

The Company and its subsidiaries include internal use software in intangible assets and amortize it on the straight-line method over estimated useful lives.

Deferred charges

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

Finance leases

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

Translation of foreign currencies

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

Effective from April 1, 2000, the Company and its consolidated domestic subsidiaries adopted the revised Japanese accounting standard for foreign currency translation.

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

The effect of application of the new standard decreased income before income taxes by ¥6,499 million, in the year ended March 31, 2001.

—Foreign currency financial statements—

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

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

In accordance with the revised standard, the Company and its domestic subsidiaries report foreign currency translation adjustments in shareholders' equity and minority interests. Prior to this change it was reported in assets.

Net sales (total trading transactions) and related costs

As general trading companies, the Company and certain of its consolidated subsidiaries act as principal or agent in trading transactions. When acting as agent, the companies charge a commission to their principal, but the total sales value of the related contracts is included in net sales (total trading transactions), and cost of sales represents the total sales value less the commission.

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

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

Employees' retirement benefits

The Company, following Ministry of Health, Labor and Welfare approval on March 19, 2002, for the dissolution of "Nissho Iwai Employee Pension Funds", dissolved the said funds on March 20, 2002. Moreover, on March 26, 2002, the Company received approval for the introduction of the "Defined Contribution Pension Plan (Japanese version of 401k pension plan)" and therefore changed from using "Defined Benefits Pension Plan" to the "Defined Contribution Pension Plan," as well as adopting the "Advanced Retirement Allowance." Under the "Advanced Retirement Allowance," the Company includes retirement allowances in salaries. The Company will also make lump-sum retirement payments for benefits earned prior to March 31, 2002 when employees retire from the Company. The new plan generally covers all employees other than directors and corporate auditors.

As a result of introduction of the new retirement benefit plan, in the year ended March 31, 2002, the Company recorded an extraordinary loss on changes in retirement benefits plans, consisting of unrecognized actuarial differences and unrecognized net transition obligation amounting to ¥11,392 million.

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

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

The net transition obligation was amortized over 10 years except for some consolidated domestic subsidiaries. Prior service costs were recognized in expenses using the straight-line method over the average of the estimated remaining service lives of the employees. Actuarial gains and losses were recognized in expenses using the straight-line method (or the declining-method in some subsidiaries) over the average of the estimated remaining service lives commencing with the following period.

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

Derivatives and hedge accounting

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

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

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

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

Also, if interest rate swap contracts are used as hedges and

meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The effect of the application of the new standard decreased income before income taxes by ¥30,667 million, in the year ended March 31, 2001.

Income taxes

Deferred taxes are recognized for the estimated tax effects of temporary differences between the financial reporting and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates applicable to the periods in which the temporary differences are expected to be recovered or settled.

Accounting standard for treasury stock and reversal of statutory reserves

Effective April 1, 2002, the Company adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1 "Accounting Standard for Treasury Stock and Reduction of Statutory Reserves", issued by the Accounting Standards Board of Japan on February 21, 2002).

The effect on net income of the adoption of the new standard is insignificant.

Earning per share

Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Earnings Per share", issued by the Accounting Standards Board of Japan on September 25, 2002).

The effect of adopting of the new standard and guidance is insignificant.

Change in statutory income tax rates to be used in calculating deferred taxes due to the revised local tax law

The aggregate statutory income tax rate used for calculation of deferred tax assets and liabilities was the revised rate for the year ended March 31, 2003. Effective for years commencing on April 1, 2004 or later, according to the revised local tax law, income tax rates for enterprise taxes will be reduced as a result of introducing the assessment by estimation on the basis of the size of business.

As a result of the change in the aggregate statutory income tax rates, deferred taxes assets decreased by ¥1,337 million (\$11,142 thousand) and income taxes-deferred increased by ¥1,319 million (\$10,992 thousand), and unrealized losses on available-for-sale securities increased by ¥18 million (\$150 thousand).

3. SHORT-TERM SECURITIES AND INVESTMENT SECURITIES

Information regarding each category of securities classified as trading, available-for-sale, and held-to-maturity at March 31, 2003 is as follows:

				Millions of yen
At March 31, 2003	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading.....				¥ 3,612
Available-for-sale with available fair market values:				
Equity securities.....	¥115,019	¥6,222	¥(31,576)	¥89,665
Debt securities.....	3,867	1	(778)	3,090
Other securities.....	101	1	(8)	94
Held-to-maturity securities with available fair market values.....	15,850	667	(1,330)	15,187

				Thousands of U.S. dollars
At March 31, 2003	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading.....				\$ 30,100
Available-for-sale with available fair market values:				
Equity securities.....	\$958,492	\$51,850	\$(263,133)	\$747,209
Debt securities.....	32,225	8	(6,483)	25,750
Other securities.....	842	8	(67)	783
Held-to-maturity securities with available fair market values.....	132,083	5,558	(11,083)	126,558

Total sales of available-for-sale securities sold in the year ended March 31, 2003 amounted to ¥74,787 million (\$623,225 thousand) and the related gains and losses amounted to ¥21,037 million (\$175,308 thousand) and ¥11,017 million (\$91,808 thousand), respectively.

The carrying values and maturities for securities classified as available-for-sale (those which have maturities) and held-to-maturity securities at March 31, 2003 are as follows:

At March 31, 2003	Millions of yen	Thousands of U.S. dollars
Due in one year or less.....	¥ 2,567	\$ 21,392
Due after one year through five years.....	17,328	144,400
Due after five years.....	18,098	150,817

Information regarding each category of securities classified as trading, available-for-sale, and held-to-maturity at March 31, 2002 is as follows:

				Millions of yen
At March 31, 2002	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading.....				¥ 11,200
Available-for-sale with available fair market values:				
Equity securities.....	¥174,570	¥24,611	¥(37,182)	¥161,999
Debt securities.....	8,631	114	(980)	7,765
Other securities.....	2,999	43	(117)	2,925
Held-to-maturity securities with available fair market values.....	49,416	425	(3,909)	45,932

Total sales of available-for-sale securities in the year ended March 31, 2002 amounted to ¥76,118 million and the related gains and losses amounted to ¥11,712 million and ¥7,610 million, respectively.

The carrying values and maturities for securities classified as available-for-sale (those which have maturities) and held-to-maturity securities at March 31, 2002 are as follows:

At March 31, 2002	Millions of yen	Thousands of U.S. dollars
Due in one year or less.....	¥12,978	\$ 97,579
Due after one year through five years.....	46,487	349,526
Due after five years.....	25,157	189,150

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

4. PLEDGED ASSETS

At March 31, 2003, the following assets were pledged as collateral for short-term debt and payables of ¥50,940 million (\$424,500 thousand), long-term debt and other liabilities of ¥111,821 million (\$931,842 thousand) and transaction and other guarantees:

	Millions of yen	Thousands of U.S. dollars
Cash equivalents and time deposits	¥ 20,676	\$ 172,300
Trade notes and accounts receivable	16,340	136,167
Short-term securities and investment securities	120,573	1,004,775
Inventories	18,983	158,192
Loans	63,144	526,200
Property and equipment, less accumulated depreciation	140,285	1,169,041
	¥380,001	\$3,166,675

5. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt was represented by short-term notes, generally for 90 days, bearing average interest at annual rates of 2.58% and 2.93% at March 31, 2003 and 2002, respectively.

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

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

A summary of long-term debt at March 31, 2003 and 2002, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Floating rate notes due 2003 payable in Japanese yen ^(*)	¥ —	¥ 9,700	\$ —
1.00% bonds due 2003 payable in Japanese yen, exchangeable for shares of a certain company	—	5,522	—
2.00% bonds due 2002 payable in Japanese yen	—	8,800	—
2.35% bonds due 2003 payable in Japanese yen	6,000	6,000	—
2.00% bonds due 2002 payable in Japanese yen	—	5,700	50,000
0.65% convertible bonds due 2003 payable in Japanese yen ^(*)	25,287	25,287	210,725
Notes under medium-term note programmes maturing serially through 2007 at interest rates of 0.17% to 8.00% ^(*)	28,385	64,265	236,542
Bonds maturing serially through 2015 at interest rates of 0.71% to 5.36% ^(*)	6,184	28,101	51,533
Long-term loans, principally from commercial and trust banks and insurance companies, maturing serially through 2025 at average interest rate of 3.05%	390,933	504,115	3,257,775
Long-term loans, from governmental financial institutions, principally Japan Bank for International Cooperation, maturing serially through 2024 at average interest rate of 3.68%	95,267	162,810	793,908
Other long-term indebtedness, maturing serially through 2028 at average interest rate of 3.38%	33,881	36,060	282,325
Total	585,937	856,360	4,882,808
Less current portion	215,766	309,174	1,798,050
	¥370,171	¥547,186	\$3,084,758

The aggregate annual amounts of long-term debt maturing in the years ending March 31, 2004 to 2009 and thereafter, are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2004	¥215,766	\$1,798,050
2005	183,082	1,525,683
2006	89,102	742,517
2007	34,886	290,717
2008	22,875	190,625
2009 and thereafter	40,226	335,216
	¥585,937	\$4,882,808

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

February 2003.

(*2) The conversion price per share of the 0.65% convertible bonds was ¥441 (\$3.32).

The Company which issued the bonds has a call option on condition that the market prices of the stock of the Company rise to a 30% premium, or more, of the conversion price per share for 20 working days of the Tokyo Stock Exchange.

At March 31, 2003, 66,750,567 shares of common stock were reserved for conversion of the convertible bonds, including those held by consolidated subsidiaries.

The convertible bonds were no longer listed as of March 26, 2003 as the Company will become a subsidiary of Nissho Iwai-Nichimen Holding Corporation. The convertible bonds may be exchanged for unlisted shares of the Company if requested during the conversion period, and after the maturity date of the bonds,

these shares may be exchanged for shares of the holding company through the simplified stock exchange procedures.

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

(Cayman) Ltd. and Nissho Iwai HK (Cayman) Ltd.

(*4) The amounts include the bonds issued by the Company, NITEC Corporation and Thai Central Chemical Public Co., Ltd.

6. SHAREHOLDERS' EQUITY

The Commercial Code of Japan provides that:

(a) The entire issue price of shares may be credited to the stated capital, 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 which is included in capital surplus.

(b) An amount equal to at least 10% of cash appropriations of retained earnings shall be set aside as legal reserve until the total of such reserve and additional paid-in capital equals 25% of the stated capital. Additional paid-in capital and legal reserve may be

used 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 condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for dividends by the resolution of shareholder's meeting. Legal reserves of the Company and domestic consolidated subsidiaries are reflected in the consolidated financial statements as a reduction in the accumulated deficit.

7. SEGMENT INFORMATION

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

On April 1, 2002, the Company changed the organization of its

company division system to the segment grouping shown below. In addition, operations of overseas subsidiaries are shown separately whereas, in the past, this information has been included in the various industry segments. Information for the year ending March 31, 2002 has been restated to conform to the presentation of the current year.

Operating segment information is as follows:

Year ended March 31, 2003	Millions of yen										Elimination or Unallocated	Consolidated
	Machinery	Information Industry	Metals	Energy & Mineral Resources	Foods & Consumer Products	Chemicals & Housing Materials	Construction & Urban Development	Overseas Subsidiaries	Other	Total		
Total trading transactions:												
Outside customers.....	¥ 998,395	¥265,327	¥487,584	¥900,056	¥512,147	¥392,870	¥174,884	¥702,717	¥185,092	¥4,619,072	¥ —	¥4,619,072
Intersegment.....	41,309	—	39,842	66,499	19,568	13,965	5,312	228,650	110,142	525,287	(525,287)	—
Total	1,039,704	265,327	527,426	966,555	531,715	406,835	180,196	931,367	295,234	5,144,359	(525,287)	4,619,072
Operating expenses	1,033,590	256,661	524,440	960,849	527,605	400,007	176,612	931,547	292,305	5,103,616	(520,007)	4,583,609
Operating income (loss).....	¥ 6,114	¥ 8,666	¥ 2,986	¥ 5,706	¥ 4,110	¥ 6,828	¥ 3,584	¥ (180)	¥ 2,929	¥ 40,743	¥ (5,280)	¥ 35,463
Assets.....	¥ 419,921	¥ 20,615	¥100,620	¥254,934	¥122,810	¥308,401	¥216,791	¥733,656	¥176,483	¥2,354,231	¥(249,971)	¥2,104,260
Depreciation and amortization												
	¥ 4,953	¥ 1,948	¥ 2,034	¥ 1,243	¥ 612	¥ 5,707	¥ 521	¥ 1,254	¥ 4,295	¥ 22,567	¥ —	¥ 22,567
Capital expenditures	¥ 14,777	¥ 3,712	¥ 3,079	¥ 514	¥ 819	¥ 2,583	¥ 79	¥ 3,582	¥ 6,750	¥ 35,895	¥ —	¥ 35,895

Year ended March 31, 2003	Thousands of U.S. dollars										Elimination or Unallocated	Consolidated
	Machinery	Information Industry	Metals	Energy & Mineral Resources	Foods & Consumer Products	Chemicals & Housing Materials	Construction & Urban Development	Overseas Subsidiaries	Other	Total		
Total trading transactions:												
Outside customers.....	\$8,319,958	\$2,211,058	\$4,063,200	\$7,500,467	\$4,267,892	\$3,273,917	\$1,457,367	\$5,855,975	\$1,542,433	\$38,492,267	\$ —	\$38,492,267
Intersegment.....	344,242	—	332,017	554,158	163,066	116,375	44,266	1,905,417	917,850	4,377,391	(4,377,391)	—
Total	8,664,200	2,211,058	4,395,217	8,054,625	4,430,958	3,390,292	1,501,633	7,761,392	2,460,283	42,869,658	(4,377,391)	38,492,267
Operating expenses	8,613,250	2,138,841	4,370,334	8,007,075	4,396,708	3,333,392	1,471,766	7,762,892	2,435,875	42,530,133	(4,333,391)	38,196,742
Operating income (loss).....	\$ 50,950	\$ 72,217	\$ 24,883	\$ 47,550	\$ 34,250	\$ 56,900	\$ 29,867	\$ (1,500)	\$ 24,408	\$ 339,525	\$ (44,000)	\$ 295,525
Assets.....	\$3,499,341	\$ 171,792	\$ 838,500	\$2,124,450	\$1,023,417	\$2,570,008	\$1,806,592	\$6,113,800	\$1,470,692	\$19,618,592	\$ (2,083,092)	\$17,535,500
Depreciation and amortization												
	\$ 41,275	\$ 16,233	\$ 16,950	\$ 10,358	\$ 5,100	\$ 47,558	\$ 4,342	\$ 10,450	\$ 35,792	\$ 188,058	\$ —	\$ 188,058
Capital expenditures	\$ 123,142	\$ 30,934	\$ 25,658	\$ 4,283	\$ 6,825	\$ 21,525	\$ 658	\$ 29,850	\$ 56,250	\$ 299,125	\$ —	\$ 299,125

Assets in the eliminations or unallocated column, totalling ¥340,934 million (\$2,841,117 thousand) consist primarily of cash and cash equivalents, and securities for financial activities.

Millions of yen

Year ended March 31, 2002	Machinery	Information Industry	Metals	Energy & Mineral Resources	Foods & Consumer Products	Chemicals & Housing Materials	Construction & Urban Development	Overseas Subsidiaries	Other	Total	Elimination or Unallocated	Consolidated
Outside customers.....	¥1,123,742	¥288,767	¥674,837	¥1,141,581	¥526,513	¥505,276	¥165,075	¥ 782,267	¥256,466	¥5,464,524	¥ —	¥5,464,524
Intersegment.....	49,354	49,558	48,913	73,938	47,156	17,281	2,772	251,653	116,515	657,140	(657,140)	—
Total	1,173,096	338,325	723,750	1,215,519	573,669	522,557	167,847	1,033,920	372,981	6,121,664	(657,140)	5,464,524
Operating expenses	1,165,853	314,818	719,570	1,211,544	569,374	516,101	162,224	1,036,184	371,929	6,069,597	(654,533)	5,415,064
Operating income (loss).....	¥ 7,243	¥ 23,507	¥ 4,180	¥ 3,975	¥ 4,295	¥ 4,456	¥ 5,623	¥ (2,264)	¥ 1,052	¥ 52,067	¥ (2,607)	¥ 49,460
Assets.....	¥ 463,269	¥223,072	¥325,577	¥ 251,409	¥143,845	¥330,202	¥245,986	¥ 820,038	¥323,703	¥3,127,101	¥(169,523)	¥2,957,578
Depreciation and amortization	¥ 5,947	¥ 2,213	¥ 3,496	¥ 944	¥ 511	¥ 6,931	¥ 553	¥ 1,827	¥ 4,910	¥ 27,332	¥ (99)	¥ 27,233
Capital expenditures	¥ 19,858	¥ 3,800	¥ 1,952	¥ 852	¥ 173	¥ 7,202	¥ 2,295	¥ 152	¥ 10,616	¥ 46,900	¥ —	¥ 46,900

Assets in the eliminations or unallocated column, totalling ¥334,572 million consist primarily of cash and cash equivalents, and securities for financial activities.

Segment information by geographic area was as follows:

Millions of yen

Year ended March 31, 2003	Japan	North America	Europe	Asia, Oceania	Other Areas	Total	Elimination or Unallocated	Consolidated
Total trading transactions:								
Outside customers.....	¥3,597,498	¥298,700	¥163,502	¥ 536,722	¥22,650	¥4,619,072	¥ —	¥4,619,072
Inter-areas	258,896	572,970	42,959	539,995	208	1,415,028	(1,415,028)	—
Total	3,856,394	871,670	206,461	1,076,717	22,858	6,034,100	(1,415,028)	4,619,072
Operating expenses	3,829,422	872,541	204,800	1,070,673	22,935	6,000,371	(1,416,762)	4,583,609
Operating income (loss).....	¥ 26,972	¥ (871)	¥ 1,661	¥ 6,044	¥ (77)	¥ 33,729	¥ 1,734	¥ 35,463
Assets.....	¥1,817,548	¥275,594	¥388,920	¥ 317,234	¥63,393	¥2,862,689	¥ (758,429)	¥2,104,260

Thousands of U.S. dollars

Year ended March 31, 2003	Japan	North America	Europe	Asia, Oceania	Other Areas	Total	Elimination or Unallocated	Consolidated
Total trading transactions:								
Outside customers.....	\$29,979,150	\$2,489,167	\$1,362,517	\$4,472,683	\$188,750	\$38,492,267	\$ —	\$38,492,267
Inter-areas	2,157,467	4,774,750	357,991	4,499,958	1,733	11,791,900	(11,791,900)	—
Total	32,136,617	7,263,917	1,720,508	8,972,642	190,483	50,284,167	(11,791,900)	38,492,267
Operating expenses	31,911,850	7,271,175	1,706,667	8,922,275	191,125	50,003,092	(11,806,350)	38,196,742
Operating income (loss).....	\$ 224,767	\$ (7,258)	\$ 13,841	\$ 50,367	\$ (642)	\$ 281,075	\$ 14,450	\$ 295,525
Assets.....	\$15,146,233	\$2,296,617	\$3,241,000	\$2,643,617	\$528,275	\$23,855,742	\$ (6,320,242)	\$17,535,500

Millions of yen

Year ended March 31, 2002	Japan	North America	Europe	Asia, Oceania	Other Areas	Total	Elimination or Unallocated	Consolidated
Total trading transactions:								
Outside customers.....	¥4,349,508	¥360,918	¥178,332	¥ 529,195	¥46,571	¥5,464,524	¥ —	¥5,464,524
Inter-areas	285,402	598,511	61,203	524,980	439	1,470,535	(1,470,535)	—
Total	4,634,910	959,429	239,535	1,054,175	47,010	6,935,059	(1,470,535)	5,464,524
Operating expenses	4,598,063	961,391	238,093	1,045,447	43,832	6,886,826	(1,471,762)	5,415,064
Operating income (loss).....	¥ 36,847	¥ (1,962)	¥ 1,442	¥ 8,728	¥ 3,178	¥ 48,233	¥ 1,227	¥ 49,460
Assets.....	¥2,434,693	¥311,001	¥446,704	¥ 397,258	¥79,777	¥3,669,433	¥ (711,855)	¥2,957,578

Millions of yen

Year ended March 31, 2001	Japan	North America	Europe	Asia, Oceania	Other Areas	Total	Elimination or Unallocated	Consolidated
Total trading transactions:								
Outside customers.....	¥5,088,746	¥484,334	¥193,656	¥ 668,607	¥39,059	¥6,474,402	¥ —	¥6,474,402
Inter-areas	402,221	435,577	262,458	333,453	350	1,434,059	(1,434,059)	—
Total.....	5,490,967	919,911	456,114	1,002,060	39,409	7,908,461	(1,434,059)	6,474,402
Operating expenses	5,446,374	917,095	453,397	993,107	38,044	7,848,017	(1,435,868)	6,412,149
Operating income	¥ 44,593	¥ 2,816	¥ 2,717	¥ 8,953	¥ 1,365	¥ 60,444	¥ 1,809	¥ 62,253
Assets.....	¥2,909,968	¥305,837	¥500,313	¥ 419,137	¥97,998	¥4,233,253	¥ (619,276)	¥3,613,977

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

North AmericaU.S.A. and Canada

EuropeUnited Kingdom, Spain and Germany

Asia, Oceania.....Singapore and Thailand

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

Overseas trading transactions for the years ended March 31, 2003, 2002 and 2001 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
North America	¥ 307,992	¥ 453,278	¥ 533,170	\$ 2,566,600
Europe	221,883	261,089	301,924	1,849,025
Asia, Oceania.....	788,608	799,945	931,961	6,571,734
Other areas.....	344,899	401,954	558,005	2,874,158
	¥1,663,382	¥1,916,266	¥2,325,060	\$13,861,517

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

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

Europe.....United Kingdom, Germany, France and Spain

Asia, OceaniaChina, Singapore and Thailand

Other areasMiddle and Near East, Central and South America and Africa

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, are as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Net sales.....	¥ 57,520	¥125,885	¥167,590	\$479,333
Purchases	105,767	153,488	175,536	881,392

9. OTHER INCOME (EXPENSES)

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

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Gain on sale of securities	¥ 9,997	¥ 28,767	¥ 89,494	\$ 83,308
Dilution gains (losses) from changes in equity interest.....	(4,572)	12,532	—	(38,100)
Loss on revaluation of securities	(28,053)	(15,731)	(33,786)	(233,775)
(Loss) gain on disposal of properties	(2,162)	(4,554)	14,364	(18,017)
Loss, and provision for loss, on the dissolution of subsidiaries and affiliates.....	(17,732)	(26,448)	(8,438)	(147,767)
Extraordinary loss on changes in retirement benefits plans	—	(11,392)	—	—
Cost of moving headquarters	—	(2,591)	—	—
Provision for overseas doubtful receivables	(20,892)	(2,405)	(21,880)	(174,100)
Loss on disposal of inventories	—	(1,169)	—	—
Loss on translation of receivables and payables in foreign currencies	—	—	(6,499)	—
Losses on transfer of business operations.....	(4,560)	—	—	(38,000)
Impairment loss of goodwill (recognized on consolidation)	(18,990)	—	—	(158,250)
Special early retirement benefits	(3,870)	—	(4,604)	(32,250)
Loss on interest rate swaps revaluation	—	—	(30,667)	—
Other.....	(7,745)	185	(634)	(64,541)
	¥(98,579)	¥(22,806)	¥ (2,650)	\$(821,492)

10. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

As explained in Note 2. Summary of Significant Accounting Policies, effective April 1, 2001, the Company and its consolidated domestic subsidiaries adopted the new accounting standard for employees' severance and retirement benefits, under which the liabilities and expense for severance and retirement benefits are determined based on the amounts obtained by actuarial calcula-

tions. Also, the Company changed from using "Defined Benefits Pension Plan" to the "Defined Contribution Pension Plan" in the year ended March 31, 2002.

Details of projected benefit obligation, fair value of pension assets, and liability for employees' retirement benefits at March 31, 2003, 2002 and 2001 are as follows:

At March 31	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Projected benefit obligation	¥ 45,493	¥ 75,092	¥172,111	\$ 379,108
Fair value of pension assets.....	(3,318)	(7,898)	(92,890)	(27,656)
Liabilities for employees' retirement benefits	(12,371)	(26,002)	(13,251)	(103,092)
Unrecognized projected benefit obligation.....	¥ 29,804	¥ 41,192	¥ 65,969	\$ 248,363

Unrecognized projected benefit obligation at March 31, 2003, 2002 and 2001 consisted of the following:

At March 31	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Unrecognized net transition obligation	¥35,099	¥42,045	¥54,328	\$292,485
Unrecognized prior service costs.....	(6,248)	(7,048)	—	(52,067)
Unrecognized actuarial differences	953	6,195	11,640	7,942
Unrecognized projected benefit obligation.....	¥29,804	¥41,192	¥65,969	\$248,362

Included in the consolidated statements of operations for the years ended March 31, 2003, 2002 and 2001 are severance and retirement benefit expenses comprised of the following:

At March 31	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Service costs—benefits earned during the year.....	¥2,556	¥ 5,821	¥ 6,865	\$21,300
Interest cost on projected benefit obligation	539	5,072	5,620	4,492
Payment to defined contribution pension plan.....	840	—	—	7,000
Expected return on plan assets	(87)	(2,729)	(2,899)	(725)
Amortization of net transition obligation.....	5,164	5,990	7,963	43,033
Amortization of actuarial differences	440	1,150	—	3,666
Amortization of prior service cost	(910)	—	—	(7,583)
Severance and retirement benefit expenses	¥8,542	¥15,304	¥17,549	\$71,183

At the end of the years ended March 31, 2003 and 2002 the discount rate used by the Companies was mainly 2.50%. The rates of expected return on plan assets used by the Companies were mainly 1.70% and 3.00% for the years ended March 31, 2003 and 2002, respectively.

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

Past service costs will be recognized as an expense in equal amounts mainly over 8 years.

Actuarial gains/losses are generally recognized in the statement of operations in equal amounts over 10 years.

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

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to a number of different taxes based on income which in the aggregate, for the years ended March 31, 2002 and 2001, indicate an approximate statutory rate of 42%. Foreign subsidiaries are subject to income taxes of the countries where they operate.

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

At March 31	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Deferred tax assets:			
Allowance for doubtful receivables	¥ 50,024	¥ 47,651	\$ 416,867
Net operating loss carryforwards	20,286	—	169,050
Loss on revaluation of investment securities	6,974	8,679	58,117
Unrealized losses on securities available for sale	7,522	7,122	62,683
Employees' retirement benefits	3,899	9,058	32,492
Unrealized intercompany profit	—	9,993	—
Other	9,047	9,407	75,391
Less valuation allowance	(27,121)	(12,021)	(226,009)
Offset to deferred tax liabilities	(3,001)	(6,251)	(25,008)
Deferred tax assets	67,630	73,638	563,583
Deferred tax liabilities:			
Depreciation and amortization	1,030	—	8,583
Unrealized gains on securities available for sale	—	4,772	—
Deferred gain on sale of properties	773	1,453	6,442
Other	7,041	11,863	58,675
Offset to deferred tax assets	(3,001)	(6,251)	(25,008)
Deferred tax liabilities	5,843	11,837	48,692
Net deferred tax assets	¥ 61,787	¥ 61,801	\$ 514,891

At March 31, 2002 and 2001, deferred tax assets of ¥14,374 million and ¥12,736 million, respectively, for net operating loss carryforwards of consolidated subsidiaries have not been recognized.

The difference between the statutory tax rate of 42.1% and the effective rate of income taxes reflected in the accompanying consolidated statements of operations of 54.1% and 36.2% for the years ended March 31, 2002, 2001, respectively, are as follows:

At March 31	2002	2001
Statutory tax rate	42.1%	42.1%
Unrealized intercompany profit	96.5	—(*)
Tax benefits realized on losses of subsidiaries	(90.1)	—(*)
Tax benefits not recognized on operating losses of subsidiaries	67.9	—(*)
Foreign tax credit	(54.7)	(14.6)
Dilution gains from changes in equity interest	(52.9)	—(*)
Amortization of goodwill recognized on consolidation	25.9	—(*)
Effect of taxation on dividends from consolidated subsidiaries and affiliates	24.3	—(*)
Equity in losses of unconsolidated subsidiaries and affiliates	—(*)	8.9
Other	(4.9)	(0.2)
Effective rate of income taxes reflected in the accompanying consolidated statements of operations	54.1%	36.2%

Information for the year ended March 31, 2003 is not disclosed due to the net loss for the year.

The items with asterisk in this schedule are included in "Other." (Because they were not determined in current or prior years.)

12. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2003, are as follows:

	Millions of yen	Thousands of U.S. dollars
For repurchase of notes discounted and endorsed	¥14,352	\$119,597
For guarantees of indebtedness to:		
Unconsolidated subsidiaries and affiliates.....	25,990	216,579
Others	73,763	614,695
	¥99,753	\$831,274

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

13. LEASES

Information on finance leases of the Companies is as follows:

Non-capitalized finance leases, as lessee:

At March 31, 2003	Millions of yen				Thousands of U.S. dollars
	Buildings and Structures	Equipment and Fixtures	Other	Total	Total
Original lease obligation, including finance charges.....	¥12	¥5,286	¥571	¥5,869	\$48,908
Future minimum lease payments	5	2,742	154	2,901	24,175
Portion due within one year				835	6,958

At March 31, 2002	Millions of yen			
	Buildings and Structures	Equipment and Fixtures	Other	Total
Original lease obligation, including finance charges.....	¥735	¥11,561	¥983	¥13,279
Future minimum lease payments	187	4,760	341	5,288
Portion due within one year				1,885

Lease payments for the years ended March 31, 2003, 2002 and 2001 were ¥5,328 million (\$44,400 thousand), ¥1,422 million and ¥1,673 million, respectively.

Finance leases, as lessor:

At March 31, 2003	Millions of yen				Thousands of U.S. dollars
	Buildings and Structures	Equipment and Fixtures	Other	Total	Total
Lease properties, at cost	¥198	¥2,984	¥116	¥3,298	\$27,483
Lease properties, less accumulated depreciation.....	119	1,052	20	1,191	9,925

At March 31, 2002	Millions of yen			
	Buildings and Structures	Equipment and Fixtures	Other	Total
Lease properties, at cost	¥361	¥4,330	¥232	¥4,923
Lease properties, less accumulated depreciation.....	138	1,469	193	1,800

Future minimum lease payments to be received after March 31, 2003 are ¥2,041 million (\$17,008 thousand) of which ¥835 million (\$6,958 thousand) is due within one year.

Lease payments received for the years ended March 31, 2003, 2002 and 2001 were ¥570 million (\$4,750 thousand), ¥920 million and ¥1,676 million, respectively.

At March 31, 2003, as lessee under noncancelable operating leases, future minimum lease payments are ¥2,514 million (\$20,950 thousand) of which ¥772 million (\$6,433 thousand) is due within one year. And as lessor, future minimum lease payments to be received are ¥1,274 million (\$10,617 thousand) of which ¥152 million (\$1,267 thousand) is due within one year.

14. DERIVATIVE INSTRUMENTS

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

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

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

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

Hedging instruments:

Currency related contracts: Foreign exchange contracts and currency swap contracts

Interest related contracts: Interest rate swap contracts and option (cap) contracts

Commodity related contracts: Future contracts and forward contracts

Hedged items:

Currency related contracts: Foreign currency receivables and debts and foreign currency forecasted contracts

Interest related contracts: Interest on financial assets (including accounts receivable, bonds, loans receivable) and financial liabilities (including loans payable, bonds and convertible bonds)

Commodity related contracts: Balance of commodity trading contracts

The following tables summarize market value information as of March 31, 2003, 2002 and 2001 of derivative transactions for which hedge accounting has not been applied.

Outstanding positions and unrealized gains and losses at March 31, 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Contract amount	Unrealized gains (losses)	Unrealized gains (losses)
Currency related contracts:			
Foreign exchange contracts			
Purchase U.S. dollars	¥ 537	¥ 9	\$ 76
Interest rate related contracts:			
Swap contracts			
Receive fixed for variable rates.....	¥3,006	¥ 116	\$ 974
Receive variable for fixed rates.....	2,506	(13)	(112)
Receive variable for variable rates	1,000	(3)	(26)
Total.....		¥ (100)	\$ 835
Other related contracts:			
Credit swap contracts.....	¥2,398	¥ (4)	\$ (34)
Commodity related contracts:			
Future contracts			
Foodstuffs Sell	¥ 627	¥ (13)	\$(108)
Purchase	552	(9)	(73)
Total.....		¥ (22)	\$(181)

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

Outstanding positions and unrealized gains and losses at March 31, 2002 are as follows:

	Contract amount	Millions of yen Unrealized gains (losses)
Currency related contracts:		
Swap contracts		
Purchase U.S. dollars.....	¥ 2,086	¥ 25
Interest rate related contracts:		
Option contracts		
Swaption Purchase.....	¥ 1,000	¥ (55)
Swap contracts		
Receive fixed for variable rates	7,633	532
Receive variable for fixed rates	7,591	(194)
Receive variable for variable rates.....	1,799	(8)
Total.....		¥ 275
Security related contracts:		
Swap contracts.....	¥20,262	¥(473)
Other related contracts:		
Credit swap contracts	¥ 5,278	¥ (49)
Commodity related contracts:		
Future contracts		
Foodstuffs Sell.....	¥ 1,296	¥ (56)
Purchase.....	936	19
Forward contracts		
Metals Sell.....	1,100	5
Total.....		¥ (32)

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

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

	Contract amount	Unrealized gains (losses)
Millions of yen		
Currency related contracts:		
Swap contracts		
Sell U.S. dollars	¥ 1,182	¥ (240)
Purchase U.S. dollars	4,699	78
Total		¥ (162)
Interest rate related contracts:		
Option contracts		
Swaption Purchase	¥ 1,000	¥ (54)
Swap contracts		
Receive fixed for variable rates	84,075	579
Receive variable for fixed rates	92,247	(7,686)
Receive variable for variable rates	1,243	8
Total		¥(7,153)
Bond related contracts:		
Forward contracts		
Bond Purchase	¥10,000	¥ (200)
Other related contracts:		
Credit swap contracts	¥ 2,147	¥ 13
Commodity related contracts:		
Future contracts		
Metals Sell	¥ 523	¥ (2)
Purchase	7	—
Foodstuffs Sell	284	—
Purchase	272	(17)
Forward contracts		
Metals Sell	2,849	61
Purchase	6,020	191
Total		¥ 233

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

15. CASH FLOW FROM ACQUISITION AND SALE OF CONSOLIDATED SUBSIDIARIES

The amounts of assets and liabilities at the time the Companies sold investment securities in consolidated subsidiaries, which were unconsolidated for the years ended March 31, 2003 and 2002, are as follows:

	Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars
	2003	2002	2003		2003	2002	2003
Current assets	¥121,739	¥27,861	\$1,014,494	Current liabilities.....	¥112,682	¥30,339	\$ 937,016
Non-current assets	83,148	14,188	692,904	Non-current liabilities	47,294	6,833	394,113
Deferred charges.....	69	4	578	Total	¥159,976	¥37,172	\$1,333,129
Total	¥204,956	¥42,053	\$1,707,976				

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

	Millions of yen
	2001
Current assets	¥20,157
Non-current assets.....	3,634
Goodwill recognized on consolidation	40,315
Current liabilities	(20,812)
Long-term liabilities.....	(259)
Minority interests.....	(133)
Acquisition cost	42,902
Cash and cash equivalents of acquired companies.....	(3,629)
Net expenditure	¥39,273

Significant non-cash transaction

The amounts of assets and liabilities at the time of the spin-off of the steel products business, which was taken over by a newly established company in 2003, are as follows:

	Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars
	2003	2002	2003		2003	2002	2003
Current assets	¥134,767		\$1,123,058	Current liabilities.....	¥118,534		\$987,783
Non-current assets	43,767		364,725				
Total	¥178,534		\$1,487,783				

16. EFFECT OF BANK HOLIDAY ON MARCH 31, 2002

In case the balance sheet date is a bank holiday, notes maturing on the balance sheet date are settled on the following business day and accounted for accordingly. The effects of the settlements on April 1, 2002 instead of March 31, 2002 included the following:

	Millions of yen
	2002
Notes receivable Increased by.....	¥18,398
Notes payable Increased by.....	19,599
Cash and cash equivalents increased by.....	¥ (1,201)

17. SUBSEQUENT EVENTS

Agreement on Basic Conditions for Management Consolidation

Nichimen Corporation (Nichimen) and the Company made a basic agreement to establish a joint holding company by having their respective stock transferred to such holding company, and to consolidate the management of the two companies including their subsidiaries and affiliates on April 1, 2003, as approved by the Extraordinary General Meeting of Shareholders on February 25, 2003.

(1) Purpose of the Consolidation

Nichimen and the Company have agreed, on the basis of equal partnership and in mutual trust:

- (a) to aim at the establishment of a business entity, which will have top-tier competitiveness and earning power in each respective industry and market,
- (b) to aim to be a revolutionary new type of trading company, which continuously develops new business areas by actively responding to environmental change and global market expansion, and
- (c) to aim to be a trading company, offering highly professional services as the optimal business partner to a diverse clientele.

(2) Outline of the Consolidation

- (a) Name of the new company:
Nissho Iwai - Nichimen Holdings Corporation
- (b) Location of head office:
Minato-ku, Tokyo, Japan
- (c) Capital:
¥10 billion
- (d) Stock to be issued:
154,358,166 shares
- (e) Fiscal year end:
March 31

Resolution to Issue Shares to Third Parties

It was resolved to issue shares to third parties at a meeting of the Board of Directors held on April 25, 2003, as follows:

- (1) Stock to be issued:
Common stock: 638,400,000 shares
- (2) Issue price:
¥250 per share
- (3) Total issue price:
¥159,600,000,000
- (4) Allocation to additional paid-in capital:
¥125 per share
- (5) Offer date:
May 14, 2003
- (6) Due date of payment:
May 14, 2003
- (7) Issue date:
May 15, 2003

- (1) Stock to be issued:
Common stock: 14,283,000 shares
- (2) Issue price:
¥250 per share
- (3) Total issue price:
¥3,570,750,000
- (4) Allocation to additional paid-in capital:
¥125 per share
- (5) Offer date:
May 16, 2003
- (6) Due date of payment:
May 16, 2003
- (7) Issue date:
May 17, 2003

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Nissho Iwai Corporation and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2003, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nissho Iwai Corporation and subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2003, in conformity with accounting principles generally accepted in Japan as described in Note 1 to the consolidated financial statements.

Without qualifying our opinion, we draw attention to the following.

- (1) As discussed in Note 2 to the consolidated financial statements, Nissho Iwai Corporation and subsidiaries adopted new Japanese accounting standards for financial instruments, employees' severance and retirement benefits and foreign currency translation in the year ended March 31, 2001.
- (2) As discussed in Note 2 to the consolidated financial statements Nissho Iwai Corporation, effective for the year ended March 31, 2002, changed the method of accounting for available-for-sale securities with available fair market values.
- (3) As discussed in Note 7 to the consolidated financial statements, effective for the year ended March 31, 2003, Nissho Iwai Corporation and subsidiaries changed their method of disclosure of segment information.

The consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.

Tokyo, Japan
June 27, 2003



Asahi & Co.

CORPORATE OFFICERS

As of July 1, 2003

DIRECTORS (**Representative Director)



KENICHI MINAMI

YASUYUKI FUJISHIMA

KUNIHIDE IZUMI**

HIDETOSHI NISHIMURA**

KEIJIRO HORI**

YUTAKA KASE

CORPORATE AUDITORS

TOMA MASAOKA

JOJI WADA

MASAJI SHINAGAWA

EXECUTIVE OFFICERS (**Representative Director/*Director)

PRESIDENT & CEO

HIDETOSHI NISHIMURA**

EXECUTIVE VICE PRESIDENT

MASAKI HASHIKAWA

SENIOR MANAGING EXECUTIVE OFFICERS

KUNIHIDE IZUMI**

President, Aerospace Company

TERUO MATSUMURA

President & CEO, Nissho Iwai American Corporation

KAZUO SEKIKAWA

Group Management Unit

HIROYUKI TANABE

President, Energy & Mineral Resources Company

KEIJIRO HORI**

Corporate Administration Unit

YASUYUKI FUJISHIMA*

New Business Development Group; President & CEO, Nissho Iwai Research Institute, Ltd.

MANAGING EXECUTIVE OFFICERS

KATSUTOSHI MATSUI

General Manager for China

EISUKE TAKAKUWA

Senior Managing Director, Nissho Iwai - Nichimen Shared Service Corporation

HIROSHI KANEMATSU

General Manager for Asia

YUTAKA KASE*

Corporate Planning Unit

EXECUTIVE OFFICERS

KAZUNORI TERAOKA

President, Machinery Company

EIJI OKAWA

NOBUAKI ITO

President, Foods & Consumer Products Company

TOSHIMASA DOHI

President, Construction & Urban Development Company

JUN MATSUMOTO

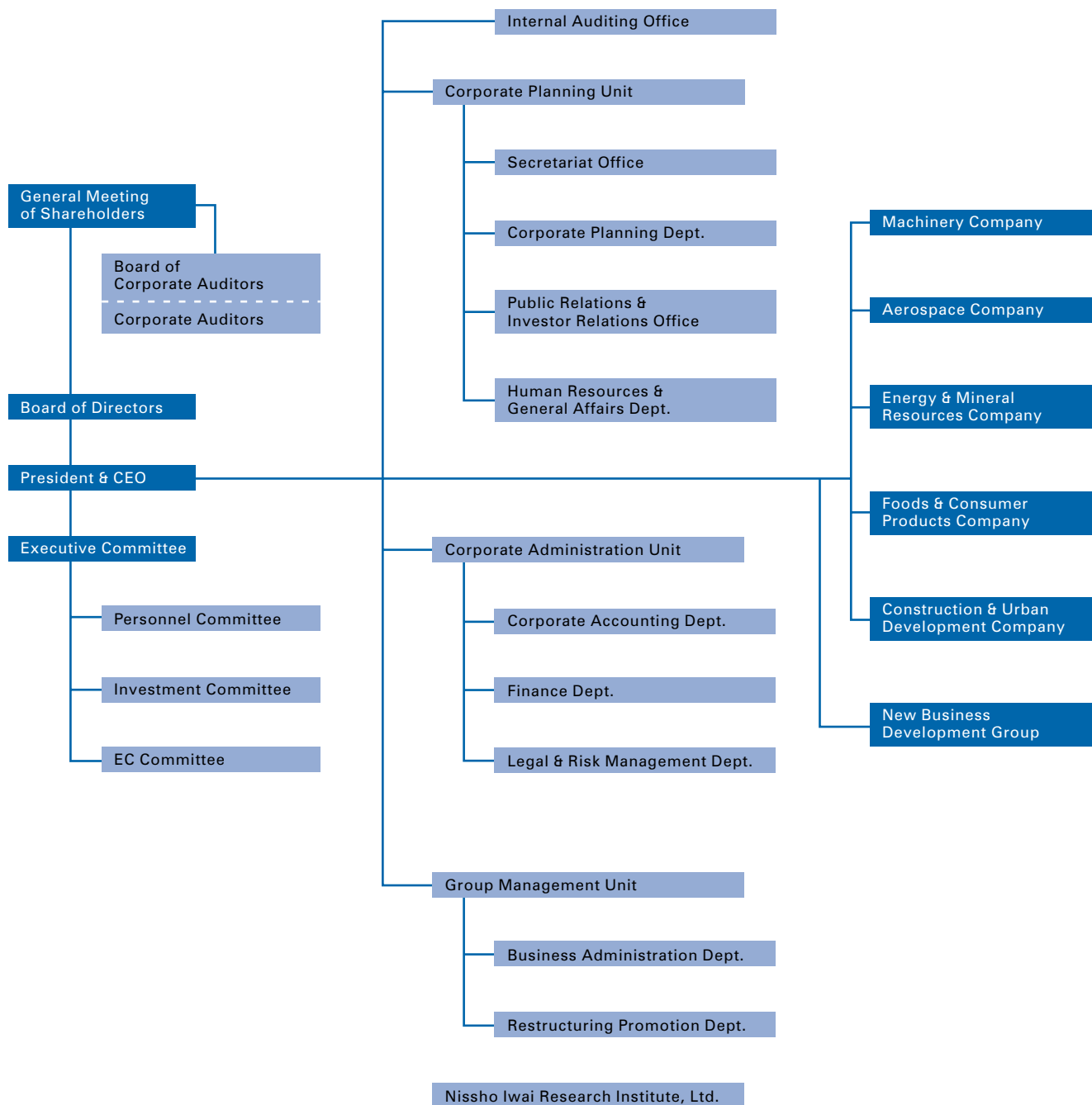
General Manager for Europe & Africa; Managing Director, Nissho Iwai Europe plc

YOJI SATO

SHUHEI INOUE

ORGANIZATION

As of July 1, 2003



CORPORATE DATA

As of July 1, 2003

COMPANY NAME

Nissho Iwai Corporation

HEAD OFFICE

Tokyo Head Office

3-1, Daiba 2-chome, Minato-ku, Tokyo 135-8655, Japan

Osaka Head Office

5-8, Imabashi 2-chome, Chuo-ku, Osaka 541-8558, Japan

DATE ESTABLISHED

February 8, 1928

PRESIDENT & CEO

Hidetoshi Nishimura

PAID-IN CAPITAL

184,524 million yen (As of May 31, 2003)

CATEGORY OF BUSINESS

General Trading Company

NUMBER OF EMPLOYEES

1,617 (As of June 30, 2003)

SHAREHOLDER

Nissho iwai - Nichimen Holdings Corporation

Additional copies of this annual report and other information may be obtained from:
NISSHO IWAI - NICHIMEN HOLDINGS CORPORATION
Public Relations Department
1-23, Shiba 4-chome, Minato-ku, Tokyo, 108-8408, Japan
Tel: +81-3-5446-1061
<http://www.nisshoiwai.com>

NISSHO IWAI CORPORATION

3-1, Daiba 2-chome, Minato-ku, Tokyo 135-8655, Japan

<http://www.nisshoiwai.com>