

NICHIMEN CORPORATION ANNUAL REPORT 2003

Year ended March 31, 2003



PROFILE

Nichimen Corporation is a leading general trading company, with consolidated net sales of ¥1.9 trillion in the fiscal year ended March 31, 2003.

Leveraging its global network, Nichimen builds closer business relationships among its operational companies of Plastics & Chemicals, Textiles & Consumers Business, Foodstuffs, Construction & Forest Products and Machinery & Metals. Nichimen is also vertically developing business opportunities by deepening ties with business partners.

On April 1, 2003, Nichimen integrated management with Nissho Iwai Corporation, and formed the parent holding company Nissho Iwai - Nichimen Holdings Corporation. As a key subsidiary of Nissho Iwai - Nichimen Holdings Corporation, Nichimen aims to improve profitability by applying its advantages in business development.

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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

Nichimen 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)	¥1,888,127	¥2,055,240	¥2,419,341	\$15,708,211	€14,543,072	(8.1)%
Gross trading profit	111,422	126,553	130,665	926,971	858,215	(12.0)
Operating income	21,567	33,054	23,079	179,425	166,117	(34.8)
Net income (loss)	(48,533)	1,340	(21,143)	(403,769)	(373,820)	—

As of March 31:

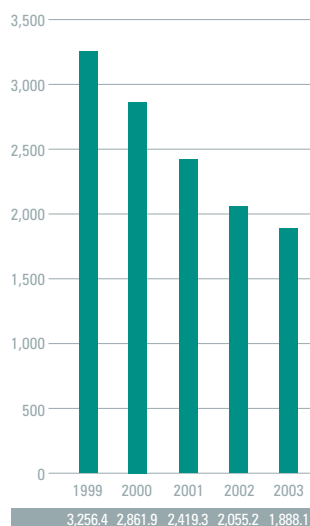
	Millions of yen	Thousands of U.S. dollars	Thousands of euros	Percentage change ('03/'02)		
Total assets	1,174,634	1,404,359	1,663,923	9,772,329	9,047,477	(16.4)
Total shareholders' equity	30,110	81,536	88,624	250,499	231,919	(63.1)
Interest-bearing debt	889,338	1,020,705	1,225,691	7,398,819	6,850,019	(12.9)

Per share amounts:

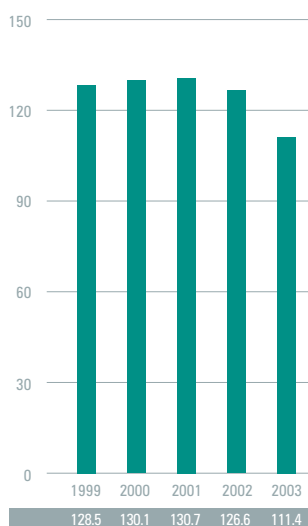
	Yen	U.S. cents	Euro cents	Percentage change ('03/'02)		
Net income (loss)	¥(114.23)	¥3.21	¥(50.62)	¢(95.03)	¢(87.98)	—%

Note: U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the exchange rate of ¥120.20 to U.S.\$1 prevailing at the end of March 2003. Euro amounts represent translations of Japanese yen, for convenience only, at the exchange rate of ¥129.83 to €1 prevailing at the end of March 2003.

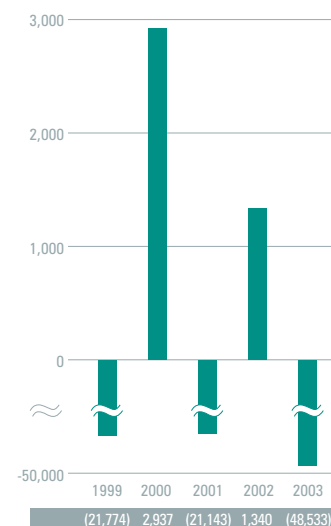
NET SALES
(Billions of yen)



GROSS TRADING PROFIT
(Billions of yen)



NET INCOME (LOSS)
(Millions of yen)





HIROSHI TAKEDA
President and CEO

As the new president and chief executive officer of Nichimen Corporation, I am determined to make every effort through ongoing reforms to establish a foundation for future growth.

I hope that this annual report will contribute to a clearer understanding of Nichimen's performance during fiscal 2003, ended March 31, 2003, and convey our management initiatives and philosophy.

FISCAL 2003 RESULTS

During the fiscal year ended March 31, 2003, Nichimen recorded net sales of ¥1,888.1 billion, a decline of 8.1% from the previous fiscal year. The primary reasons for this decrease were the transfer of certain businesses and the transformation of certain consolidated subsidiaries into equity-method affiliates in line with the continued restructuring of our business portfolio, as well as the withdrawal from inefficient and low-profit operations. Gross trading profit fell 12.0% to ¥111.4 billion. An increase of ¥4.5 billion in gross trading profit stemming from the acquisition of Japanese fast food chain operator NAKAU Co., Ltd. was insufficient to compensate for the aforementioned decrease in net sales and declines in the construction and forest products segment due to a fall in land sale transactions, as well as the sale of the LPG business and petroleum and carbon businesses. Although Nichimen reduced costs and expenses by ¥3.7 billion, operating income fell 34.8% to ¥21.6 billion.

In the fiscal year under review, prior to business integration with Nissho Iwai Corporation, Nichimen recorded losses on restructuring in line with the acceleration of business selection and concentration, as well as provisions for reserves and depreciation to comply with stricter asset assessment. Nichimen also posted personnel reduction costs and revaluation losses on investment securities. As a result, consolidated net loss totaled ¥48.5 billion.

MEDIUM-TERM MANAGEMENT PLAN NP 2002

Fiscal 2003 marked the final year of the medium-term management plan NP 2002, which targeted the maximization of net income through restructuring of business portfolios. Nichimen was able to surpass the initial targets of the plan for reduction of assets and interest-bearing debt through efforts to strengthen management of capital efficiency. Nichimen was able to beat its target for cutting selling, general and administrative (SG&A) expenses, and some M&A activities contributed to earnings as Nichimen stepped up the selection and concentration of operations. Despite these achievements, profits did not increase in areas of concentration as we initially planned, resulting in performance finishing short of profit targets.

In light of these results, Nichimen is determined to implement management measures for reinforcing profitability.

BUSINESS OUTLOOK

As of April 1, 2003, Nichimen has integrated business with Nissho Iwai Corporation, resulting in the establishment of Nissho Iwai - Nichimen Holdings Corporation as a holding company and the listing of its shares on the Tokyo Stock Exchange and Osaka Securities Exchange. This accomplishment is a major step forward for Nichimen and Nissho Iwai. In the past few years, both companies have aggressively pursued alliances through independent business tie-ups and then progressively deepened these ties. This business integration, however, is perhaps the most important transformation that will be recorded in the annals of each company. We are confidently striving forward with united purpose.

As an individual company anchoring one side of the business integration, however, Nichimen believes it must formulate and implement its own measures for independent, fast-paced reform based on its financial results during the fiscal year under review and its progress along the medium-term management plan. We believe it is our responsibility to shore up performance ahead of full business integration with Nissho Iwai.

The current business climate, in which Japan's *sogo shosha* (general trading companies) have lucrative business opportunities even as they face the risk of falling behind the times,

presents a major turning point for Nichimen. The Company understands that to continue operations as it always has will lead to lackluster growth or no growth at all amid the rapidly changing global economy.

Nichimen has traditionally been strong in upstream businesses, seeking profit margins of a few percentage points on most of its business-to-business transactions with quantitative superiority. These businesses have matured, however, making it extremely difficult to create added value in the future. To break through this deadlock, Nichimen aims to expand business opportunities by broadening its scope of operations to include midstream and downstream businesses. By adding value at the same time, we aim to enhance profits.

Based on this approach, we are seeing a number of businesses gradually produce results in line with initial expectations.

During the fiscal year under review, we began to see a steady increase in earnings from the Japanese fast food chain NAKAU, which became our consolidated subsidiary through a tender offer in October 2002. Although the impact of the acquisition was only registered in the second half of fiscal 2003, NAKAU made a contribution to consolidated sales and profits as mentioned previously. In addition, in April 2003, Nichimen reached a basic agreement with am/pm Japan Co., Ltd., which operates convenience stores in the Tokyo metropolitan area, regarding networking for Automatic Super Delice (ASD), the industry's first unattended convenience store system. Nichimen plans to make the best of this ASD network business for further product development tailored to consumer needs while positioning the business as a vital channel for participation in downstream retailing businesses.

I believe that our operations should focus on speed, outward-looking management, and a fair assessment of results. That is, I believe that tackling all issues with speed in the pursuit of results is meaningful. Nichimen actively gathers and distributes information by using and widening its far-reaching network of overseas bases. And Nichimen is creating an organization able to fairly assess the results produced by each business group and individual employees. I believe that this approach is at the core of our operations, and key to organizational reforms for future growth. To instill these values throughout the Company, I am deepening communications to gain a fuller understanding in each division through interaction with project managers.

The Company initiated a new business structure system, Challenge Nichimen, in July 2003 as a reflection of our management principles. This system fields proposals for the acquisition of existing corporations and businesses and other future investment projects. Any employee is allowed to submit an idea, with an investment limit of ¥10 billion per proposal. The Challenge Nichimen Council debates on the proposed projects, and approved projects are to be developed into businesses. After the conclusion of each fiscal year, the performance of each project is evaluated, with the highest performers winning the Challenge Nichimen Award and a runner-up award. We are encouraging our employees to propose new ideas for projects. We have high expectations for this new system to contribute a fair amount to the bottom line.

With the understanding that our hard work will determine the degree of success of the business integration with Nissho Iwai, we are making concerted efforts to improve profits and maximize corporate value as we take off on a new path to growth.

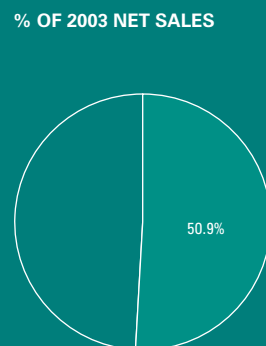
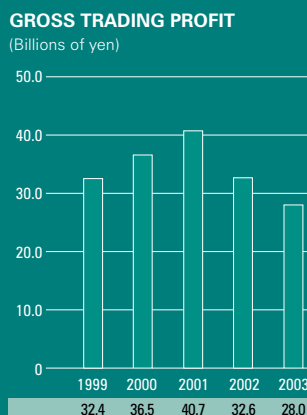
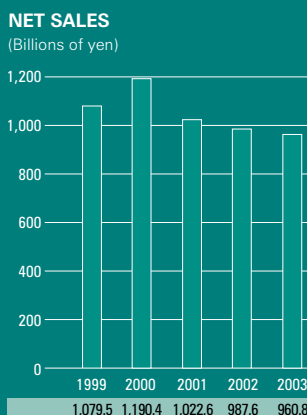
We ask for your continued support and encouragement as we embark on these endeavors.

July 10, 2003

PLASTICS & CHEMICALS COMPANY



KATSUYUKI SUMIDA
President of the Plastics & Chemicals Company



The Plastics Company and the Chemicals Company were integrated in April 2003 to form the Plastics & Chemicals Company. The above figures are the total of both companies.

PLASTICS FIELD

Core Businesses: The plastics field comprises four primary subdivisions. The first is general resins, mainly polypropylene resins, and high-performance resins, which are used to produce plastic compounds at nine manufacturing bases located in Japan, North America, Europe, and China. Here, we are concentrating activities in the automobile and motorcycle fields. The second is IT-related high-function materials and new, high-value-added trading that use electronics manufacturing services and supply chain management methods. The third is packaging material trading, including manufacturing operations comprising two plants in Asia and production of biaxial-oriented polyamide (BOPA) film in Europe and North America. The fourth is industrial materials trading, mainly plastic products.

Future Developments: The plastics business will be placed under Pla-Net Holdings, Inc. after becoming a subsidiary in September 2003. At the start of 2004, plans call for integrating Nissho Iwai Plastic Corporation and Chori Pla-Techno Co., Ltd. into Pla-Net Corporation. The plastics business will center around Pla-Net Corporation, and aims to build up customer confidence by creating and proposing new business models while strengthening the earnings structure and financial foundation.

Businesses Under Development: 1) Startup of a plastic compounding plant in Dalian, China in July 2003, after a delay due to SARS. 2) High-performance products developed through tie-ups with manufacturers of front surface mirrors and front panels for Rear Projection TVs, and employed by Japanese, Korean, and Chinese TV manufacturers. 3) Operations at production line No. 2, built to meet demand at the Shinsen Plant of TOPLA International (Hong Kong) Ltd., and formed in a merger between RP TOPLA Ltd. and a Hong Kong company, started in June 2003. 4) Decision reached to expand production of BOPA film in Europe from June. 5) Sales growth expected for TEKNI-FILMS, a fluorine-based film that boasts the world's highest level of moisture protection, based on strong inquiries from pharmaceuticals manufacturers in Japan and overseas, mainly for use in pharmaceuticals and PTP sheets.

CHEMICALS FIELD

Core Businesses: The chemicals field comprises four subdivisions. The first is petrochemical products such as solvents, oxo-alcohols, higher olefins including DIB/Nonene etc., and C5 derivatives such as DCPD/Metton resins (poly DCPD). The second is inorganic materials and industrial minerals, including Bentonite, Industrial-use Salt, and Graphite. The third is beauty and health-related product trading, including Cosmetics, Health Foods and their ingredients, and Pharmaceutical Ingredients. The fourth is automobile-related niche materials, such as Air-bag Inflator Components and Indium Tin Oxide for PVB interlayer film for automobile glass.

Future Developments: In the chemicals business, Nichimen will establish NN Chemical Corporation as an operation-integrated subsidiary on October 1, 2003. This will be accomplished through the merger of Nichimen Kagakuin Co., Ltd., Nichimen Chemicals Co., Ltd., Nissho Iwai Chemical Corporation and Nissho Iwai Kagakuin Co., Ltd., under Global Chemicals Holdings, Inc., an umbrella organization company already established with Nissho Iwai Corporation. Centered around NN Chemical Corporation, the chemicals business aims to gain the trust of customers by proposing new business models while reinforcing its earnings structure and financial foundation.

Businesses Under Development: 1) Ophthalmic lenses and relevant materials such as Lens Monomer and hard coating lacquer as functional chemicals. We are exporting value-added materials such as Photochromic Lens material to major European lens manufacturers and handling Japanese high-index ophthalmic lenses as well as high-quality Chinese lenses. 2) Retail operations in the health foods field for Green Tea Catechin, Fish Collagen, and Vitamin C. 3) Livestock feed (fermented soybean feed) that uses less antibiotic agents, in the United States. 4) Zeolite and chemical catalysts for diesel engines and de-nitrication plants and catalysts for chemical plants, such as PTA catalysts. 5) Paper Diapers (with manufacturing and product patents) for pets to the United States. 6) Inflator-related businesses in the U.S. and Europe.



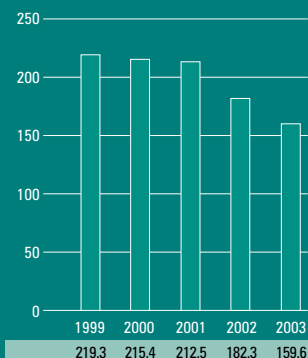
① A field of storage tanks operated by wholly owned subsidiary NN Chemical Corporation. ② TEKNI-FILMS are among the finest in the world.

TEXTILES & CONSUMERS BUSINESS COMPANY

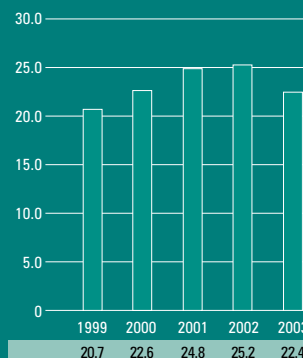


YUKINORI FUJISAKI
President of the Textiles & Consumers Business Company

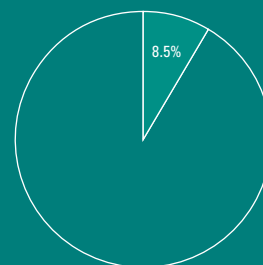
NET SALES
(Billions of yen)



GROSS TRADING PROFIT
(Billions of yen)



% OF 2003 NET SALES



The Textiles Company and the Consumer Business Department were integrated in April 2003, forming the Textiles & Consumers Business Company. The above figures are those for the Textiles Company and do not include those for the Consumer Business Department.

In line with the Company's core strategy of penetrating downstream businesses, in fiscal 2003, Nichimen integrated the Textiles Company, which handles apparel and other textile products, and the Consumers Business Department, which handles various consumer products, to form the Textiles & Consumers Business Company to further advance its downstream businesses. We aim to develop retail business where we have direct access to consumers in order to accommodate changes in the industry where final consumers are becoming more important. By running a horizontal thread through the vertically structured organization, the Company is building a business that crosses traditional boundaries with the ultimate aim of conducting an IPO in retail businesses. Using expertise in retail and store development in Japan, we are considering the establishment of retail businesses in overseas markets such as China, and joint ventures with foreign companies as a vehicle for such businesses.

CONSUMERS BUSINESS DEPARTMENT

Established in April 2002, the Consumers Business Department handles Aprica products, the top brand name in infant goods, in addition to such electronics and gadgets as digital cameras and mobile music players, shoes, and products made out of wood. In October 2002, the Consumers Business Department began to directly operate a retail business with the acquisition of NAKAU Co., Ltd., an operator of Japanese fast food chains. Nichimen has a 51.4% stake in this company.

APPAREL DIVISION

In the Apparel Division, Nichimen has been focusing on strengthening its production bases through subsidiaries that produce various apparel products in China and Japan, as well as the supply chain network enhanced by Li & Fung Limited, a major textiles trading company in Hong Kong that the division entered into a comprehensive business alliance with last year. Based on this business structure, Nichimen produces apparel that is consistently high in quality and cost competitive. The

Company boasts a high market share of mainly casual clothing sold to major apparel manufacturers, specialty store chains, department stores, and general merchandising stores in Japan.

The division aims to step up its business from production and trading to wholesale and retail operations by promoting its own product and branding plans, and through a revolutionary new distribution structure that incorporates information on consumer trends with the wide-ranging supply chain management functions of business partner Li & Fung Limited.

In addition, wholly owned subsidiary Nichimen Infinity Inc. has built up the McGregor brand into a leading American-style casual clothing brand name in Japan.

PALTEX DIVISION

In the Paltex Division, Nichimen handles a broad range of non-apparel, textile-related products including textile raw materials, yarn, fabrics, industrial textile products, bed linens, various home textile products and daily sundries. The Company has been a pioneer among trading companies in Japan for overseas development of the textile business, shown in its number one domestic market share in imported cotton fabric, down feather materials, and down futon bedding. We strive to diversify operations by investing in businesses in China, Europe, and the United States—including M&A activities—as well as

by selling products in the China market.

BUSINESS ALLIANCE WITH LI & FUNG LIMITED OF HONG KONG

With sales of more than ¥560 billion, Li & Fung Limited operates a global supply chain for apparel and other fast-moving consumer products, catering to leading European and American brand names and retailers. Last year, Nichimen entered a comprehensive business alliance with Li & Fung Limited to bring their products and services to Japan. Nichimen is revolutionizing the distribution of consumer products in Japan by leveraging Li & Fung's know-how of European- and American-style supply chain management.



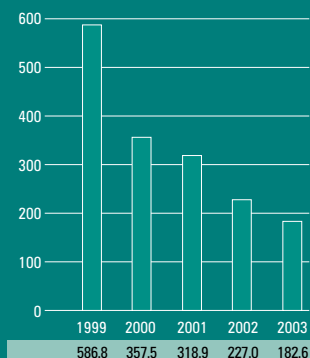
① Che-ez! MOVIX, a popular digital video camera. ② The McGregor line of American casual apparel handled by Nichimen Infinity.

FOODSTUFFS COMPANY



KENTARO OKABE
President of the Foodstuffs Company

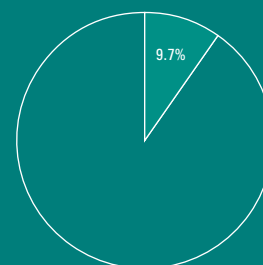
NET SALES
(Billions of yen)



GROSS TRADING PROFIT
(Billions of yen)



% OF 2003 NET SALES



Through our subsidiaries, representative offices, and partner companies located throughout the world, we are engaged in the procurement of basic foodstuffs and feedstuffs as well as the production and processing of food. We are involved in a wide range of businesses. We sell in local markets, export to Japan and third-party countries, and operate distribution systems in Japan. To provide safe products that are traceable back to their origin, the Company has set the objective of building and operating an integrated system from the production site to the sales location. To precisely grasp consumer needs, we are strengthening our efforts to expand our food retail operations through convenience stores, restaurants and mass merchandising stores. We aim to build up our product planning, development and proposal capabilities to expand our production bases at home and abroad.

NEW BUSINESS

The following are businesses that were launched within the past year and areas that will become businesses in the near future:

Basic Ingredients Field: In a merger with The Nisshin OilIIO, Ltd. last year, we established Dalian Shuangri Foods Co., Ltd. in Dalian, China, as a plant for cleaning and sizing soybeans into those for miso and natto food use. Installing the latest machinery and technologies from Japan, we continuously safeguard against genetically modified organism (GMO) soybeans and residual agricultural chemicals.

Further, we began processing shrimp in Myanmar, a promising new shrimp production country, in addition to areas in Indonesia and Thailand.

Production Field: This year, we established Yingkou Shuiyuan Foods Co., Ltd. in a suburb of Dalian, China, in a merger with Fujiya Co., Ltd., a major producer and seller of processed duck in Japan. The Chinese partner in the merger, Dashiqiao Shuiyuan Stock Farm Meat Processing Factory, produces high-grade foods such as Peking duck with self-certified duck raised at a farm neighboring the facility.

Retail Field: In April 2003, Nichimen and am/pm Japan Co., Ltd., a convenience store chain, agreed to jointly expand the Automatic Super Delice system, a fully automated, unattended

convenience store developed by am/pm. We initiated an action plan to jointly develop stores through a dedicated team in June. The new stores will handle the most popular 200 items of over 5,000 items sold at convenience stores through high-performance vending machines with four temperature zones such as frozen, cold, chilled, and room temperature.

In July 2003, we signed an agreement with Cowboy Co., Ltd., which is based in Sapporo and operates 12 large-scale discount stores mainly in Hokkaido, to develop small-sized food supermarkets in the Tokyo metropolitan area. We plan to open our first store in October, and aim to provide low-cost products tailored to the tastes of people living in central Tokyo.

We began supplying rice, beef, and chicken to the fast food chain NAKAU Co., Ltd., which the Consumers Business Department took over last year.



- ① Automatic Super Delice, a fully automated convenience store system.
- ② Coffee beans are imported from Brazil, Tanzania, and Ethiopia.

SUBSIDIARIES CONDUCT OPERATIONS

In addition to the above activities, our subsidiaries conduct operations in the following countries:

China: Liaoning Northern Foods Co., Ltd. (salt curing and retort processing of vegetables), Baoding Rongri Spice Co., Ltd. (sorting and milling of chili peppers and other spices), Sichuan South Foods Co., Ltd. (production of

pickles and prepared foods), Heilongjiang Xinmian Rice Milling Co., Ltd. (rice milling), Heilongjiang Longqi Organic Food Development Co., Ltd. (production of organic foods)

Vietnam: D & N Foods Processing (Danang) Co., Ltd. (seafood processing), Dalat Japan Food Co., Ltd. (production and processing of frozen vegetables)

Indonesia: P.T. Mitra Kartika Sejati (shrimp processing), P.T. Dwi Bina Utama (shrimp catching)

Australia: Elders Hycube Pty, Ltd. (hay and hay cube processing through two bases, one each in Western Australia and Victoria)

Singapore and Malaysia: Four Leaves Pte. Ltd. (manufacture, retail and wholesale of bread)

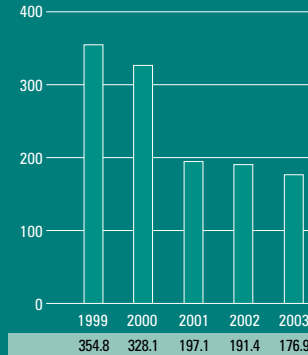
Japan: Hanshin Silo Co., Ltd. (grain silo), Yamazaki-Nabisco Co., Ltd. (confectioner), others

CONSTRUCTION & FOREST PRODUCTS COMPANY

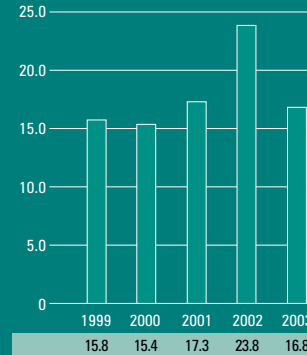


AKIO DOBASHI
President of the Construction & Forest Products Company

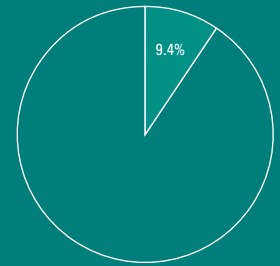
NET SALES (Billions of yen)



GROSS TRADING PROFIT (Billions of yen)



% OF 2003 NET SALES



This company is composed of the Construction Department and the Forest Products Department, both of which are closely linked to everyday life.

CONSTRUCTION DEPARTMENT

This department is engaged in a wide range of real estate businesses, mainly within Japan. Among these is the condominium business, in which the department has over 30 years of experience and expertise. Employing its far-reaching information network and rapid appraisal and planning capabilities, the department executes projects that anticipate the diversifying needs of the marketplace. In the fiscal year ended March 31, 2003, we sold 2,700 condominium units.

Focusing on Japan's principal metropolitan areas, we are engaged in the "urban condominium sale business" and the "investment condominium business," and also the "family-type condominium business" in the Kinki region centered in Osaka. Two recently completed projects, which attracted a good deal of attention, are The House Minami Azabu and the Glass Arena Seishin-Chuo. The House Minami Azabu is an upscale condominium complex in a historic location in the heart of Tokyo, with each unit priced at over ¥100 million. The Glass Arena Seishin-Chuo features a keyless security system, with doors that open in response to the blood flow in the resident's finger.

Following business integration with Nissho Iwai in April 2003, the department is focusing on the next stage of growth. As the two companies step up integration initiatives, 1) the shared experience, knowledge, information resources, and skills of both companies will strengthen our business-creation capabilities, and 2) we will build an integrated structure that encompasses all phases of the real estate business from acquisition of land to the development of plans, marketing, and management. This will bring increased efficiency and strengthened risk management. Evaluating real-estate market trends in today's changing society with precision, we will endeavor to make a contribution to society through our business activities.



① The House Minami Azabu. ② Lumber being offloaded a special ship at port.

FOREST PRODUCTS DEPARTMENT

As the leading company in this industry, we are engaged in importing, offshore trading, and overseas businesses involving timber, lumber, plywood, fiberboard and other wood-product panels, materials for furniture, wood chips, and other items.

As the lumber business is vulnerable to market conditions, it carries with its various risks, including market risk and currency risk. Practicing careful risk control, we endeavor to meet customer needs and earn their trust through the stable and continuous supply of top quality lumber.

The joint-venture company Tachikawa Forest Products (N.Z.) Ltd. was established in New Zealand in 1989, and has grown to become one of that country's largest lumber producers. Tachikawa now exports to Japan, China, Thailand, the countries of Southeast Asia, and the Middle East, and is still expanding its trade network and developing new markets.

Over the past several years, the forest products industry has seen many structural changes one after another. We are developing high-value-added products that are responsive to those changes, and, with due consideration for rising environmental consciousness, are endeavoring to trade only materials from farmed trees and certified forests.

In 2000 we commenced imports of Oriented Strand Board (OSB) from Europe. In July 2003, OSB was listed as 100% suitable as a countermeasure to sick-house syndrome in a revision to the Japanese Building Standard Law. As it is an eco-friendly material made from farmed trees, significant growth in demand is anticipated.

Spurred by business integration with Nissho Iwai, the Forest Products Department will work to ensure growth as a core force in the industry.

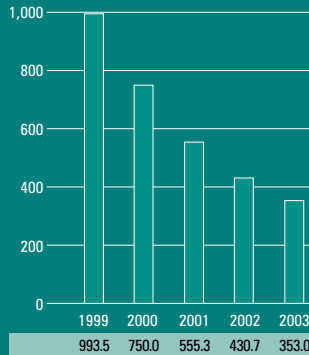
We will pursue our mission to meet the expectations of our customers with our solid business base rationalized and intensified by the synergies of the two leaders in the forest products industry.

MACHINERY & METALS COMPANY

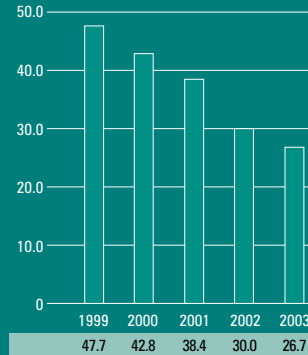


YOSHIMI OTA
President of the Machinery & Metals Company

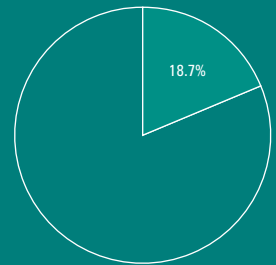
NET SALES
(Billions of yen)



GROSS TRADING PROFIT
(Billions of yen)



% OF 2003 NET SALES



The Machinery & Metals Company is actively targeting high-growth markets, focusing on those areas in which it can best demonstrate its unique characteristics, and is strategically allocating management resources to those projects that offer the greatest efficacy.

AUTOMOBILE SECTOR

Nichimen has positioned the automobile sector as a core business area and is proactively pursuing partnerships with automobile manufacturers in the development of new models. Nichimen leads the industry in the export of knockdown (KD) kits for the Middle East and Chinese markets. In leveraging its unique position as a general trading company, Nichimen is developing new businesses in the derivative parts business. In the lucrative Chinese market, we are pursuing a broad range of automobile-related activities in an effort to establish a highly profitable value chain from the local distribution of automobile parts through participation in the establishment of imported vehicle sales activities.

INDUSTRIAL SYSTEMS SECTOR

In the industrial systems sector, Nichimen has undertaken equity participation in Kunshan NSK Co., Ltd., NSK Ltd.'s overseas production base in Kunshan, China, and NSK Iskra S.A. in Poland. At the same time, the company has established joint-venture companies, Shaoxing Asahi Bearing Co., Ltd., a manufacturer of lathing rings, a principal component used in the production of bearings, and Zhejiang Asahi Bearing Co., Ltd. in Zhejiang, China. With these initiatives, we are working to establish a comprehensive bearings business, which includes the supply of materials and components to product sales

through our local network of sales agents. Nichimen is active in the sale of power generators produced by Mitsubishi Heavy Industries, Ltd., in North America, the import of electric cable

processing equipment manufactured by European companies, as well as the trading of such state-of-the-art products as digital copiers, testers for next-generation mobile phones, and mounting machinery for electronic components.

PLANT SECTOR

In the plant sector, Nichimen focuses on infrastructure-related projects with an emphasis on the export of power generation and substation facilities to the Middle East and other Asian countries, the export of petrochemical plants to the CIS and China, and the export of textile machinery to China and other Asian nations.

In addition, we are stepping up development of private-sector thermal and wind power generation businesses in Japan.

PRECIOUS METALS BUSINESS

Nichimen trades in precious metals including gold and platinum and engages in their arbitrage transactions on the Tokyo Commodity Exchange. Together with its affiliated company Nichimen Jewelry Co., Ltd., Nichimen is the only company to offer comprehensive services in precious metals and has achieved a top ranking in the jewelry market in sales of gold and platinum. We also boast a top industry share in rare metals such as gallium and materials used in compound semiconductors, which are exhibiting significant growth in demand for use in mobile phones and light-emitting diodes.



- ① Nichimen aims to build a new business model based on trading company functions to meet sharp automobile-related growth in China.
- ② NSK brand ball bearings are sold through Nichimen's dealer network in China.
- ③ Textile machinery exported to China.

INTERNATIONAL BUSINESS DEVELOPMENT

With the world in a period of upheaval, Nichimen is seeking business opportunities while avoiding risk, utilizing its precise understanding of political and economic trends in various regions and countries. For a general trading company, overseas bases are both the front line of business and a source of information on global trends.

Nichimen engages in international business transactions through its global network of bases broadly divided into five regions: North, Central & South America; Europe, Africa and the Middle East; Asia and Oceania; China and Hong Kong; and the Commonwealth of Independent States (CIS). Our managers in these regions administer to operations while maintaining close communications with headquarters.



MITSUO MUTO
CEO, North, Central & South America

NORTH, CENTRAL & SOUTH AMERICA

The Company is engaged in the sale of plastics, basic chemicals, textiles, timber, and other products in North, Central and South America, and in the export of products from these areas to Japanese and European markets.

Plastics: Plastics operations center on the three key areas of plastic resins, industrial materials, and plastic packaging materials. Jointly with affiliate Sanyo Plastics Compound America, Inc., our plastics operations target automotive, office equipment, and consumer electronics.

The packaging material business achieved solid performance, primarily on the strength of sales of biaxial stretching film produced by American Biaxis, Inc. Biaxis Packaging Sales, Inc., exclusive sales agent for American Biaxis and affiliate of Nichimen America, Inc., also recorded steady improvement in performance.

Basic Chemicals: Basic chemicals operations place emphasis on dealing in high-value-added specialty chemicals that can command a large share of their niche markets. Metton liquid molding resin is a representative example of such a product, and last year sales of this product in the U.S. and exports to Europe both increased. Nichimen Group affiliate Metton America, Inc., also recorded a healthy performance.

Textiles: Textiles operations are engaged in the two areas of garments and industrial textiles. In its garment business, Nichimen provides price competitive products, chiefly ladies' casualwear, to U.S. apparel firms with whom it has developed a strong bond of trust over many years of business association. In the field of industrial textiles, the Company imports Japanese and Southeast Asian materials into the U.S., and exports nonwoven materials, manufactured in the U.S. using cutting-edge technology, to Japan for use in consumer products. Nichimen's efforts in this area have been quite successful.

Timber: Through close relationships with local suppliers, developed over long years of association, the Company is the largest exporter of North American timber and lumber to the Japanese market. With the diversification of timber supply sources in recent years, the Company makes every effort to procure timber from sustainable forests, and exercises diligence to prevent its business operations from having an adverse environmental impact on North American forests.

Finance: The Finance Department invests in lease transactions on the basis of Nichimen America's tax strategies.

We have also invested in environmentally friendly wind power generation, which entitled us to a tax credit, and are participating in this business, including the operation of wind power facilities.



JOJI SUZUKI
CEO, Europe, Africa & Middle East

EUROPE, AFRICA & MIDDLE EAST

Our wholly owned subsidiary, Nichimen Europe plc. (NEU), is the center of our operations in Europe, Africa, and the Middle East. With branch offices in six countries of Western Europe and one subsidiary in the Middle East, NEU practices matrix management with the business areas on the vertical axis and the headquarters, branch offices, and subsidiaries on the horizontal axis. Our business is composed of four areas, comprising plastics, chemicals, foodstuffs, and general merchandise. The operations of these areas have deep roots in Europe, and all are moving forward with European staff.

Highlights of Business Activities: NEU has established a nylon film manufacturing company in Finland, capitalized jointly with Nichimen. Approximately 80 film converters located in European countries fuse this nylon film with processing technology and other materials to make foodstuff packaging. Foodstuff processors are using these materials, and our market share in Europe as a whole has grown to between 20 and 25%, making our operations there all the more important.

Sales of organic foods have expanded substantially in tandem with the growth of this market. Public interest in food safety has increased in recent years, and the certifying bodies of various countries investigate the cultivation of foodstuffs before they will approve the "organic" label. Nichimen handles many types of organic products and raw materials, and commands a large share of the European market for soy sauce.

As a result of the introduction of the euro in 2002, Europe is increasingly a single market. NEU is strengthening its product-oriented operations, and serves as a base for the creation of new businesses.



YASUSHI HOSHIKA
CEO, Asia & Oceania

ASIA & OCEANIA

The Asia and Oceania region saw a continuation of the previous fiscal year's concentration on autonomous trade. The Company has a total of nine subsidiaries active in this region (excluding operations in Hong Kong), and is seeking further improvements in performance by increasing the ratio of local, autonomous trade and increasing the corporate value of subsidiaries. In addition to our traditional focus on Japan, our activities are centered on the ASEAN region, which is showing recovery in economic growth, and include investments that are responsive to regional characteristics.

Review of the Fiscal Year Ended March 31, 2003: The combined operating income of our subsidiaries and affiliates in the Asia and Oceania region increased sixfold year on year. However, after investments in IT and the costs of liquidating a Korean subsidiary, the Asia and Oceania region as a whole showed little growth in net income.

The growth in operating income was a result of the application of our policy of concentration on autonomous trade to the fostering of our subsidiaries and affiliates. By segment, plastics, chemicals and energy, and machinery contributed to performance. With the exception of Korea, our subsidiaries and affiliates in this region improved their performance and were in the black. Our Korean subsidiary strove to improve its performance, but remained in the red with an accumulated deficit. With no prospects for profitability in the offing, we decided to close this subsidiary in accordance with our efficient management policy and wrote it off in October 2002.

Short- to Medium-Term Outlook: While ASEAN countries are accelerating business within the ASEAN Free Trade Area, they also are moving forward with the establishment of free trade agreements with China, the U.S., and Europe. In an effort to keep pace with these trends, we have designated plastics, chemicals, and foodstuffs as core products, and we are actively pursuing locally sourced business while further strengthening sustainable trade operations.



KEISUKE ISHIHARA
CEO, China & Hong Kong

CHINA & HONG KONG

China's foreign trade rose approximately 22% in 2002, to a historic high of U.S.\$620 billion. Of this total, over 50% was accounted for by trade with other Asian nations, including Japan. China is negotiating free trade agreements with surrounding countries, and is forecast to increase trade in the Asian economic zone. Flourishing consumer demand brought a 9% year-on-year increase in total retail sales of consumer goods, as the medium- to high-income population expanded and consumption trended toward high-end products, particularly in coastal regions.

In the market environment described above, business opportunities represented by China's trade with Japan and the rest of Asia, as well as by its immense consumer market, are forecast to expand yet further in the future.

Key Businesses and Products: The Company is investing in the establishment of manufacturing and service bases in China, with a view to expanding both sales in the Chinese market and import-export transactions, chiefly within Asia.

Automotive Parts Business—We are strengthening our relationship with Chinese parts manufacturers through supplying molds, while centering our activities on trading operations for automotive parts.

Bearing Business—Through investment in manufacturers of bearing parts and bearing assembly companies, we have secured stable income from distribution operations and dividends.

Compounds Business—With laterally expanding Chinese compound manufacturing companies as a supply source, we are securing stable earnings through marketing resins to manufacturers of molded products within China.

Outlook: The Company has established subsidiaries, affiliates and representative offices in northeastern, northern, eastern, and southern China, the better to respond to the individual characteristics of each region.

Organically combining the Company's strengths—investment, financing, information, and distribution functions—we are seeking to build operations that are responsive to the changes taking place within China, and thereby to maximize earnings from distribution, dividends, equity in subsidiaries, and capital gains.



HISASHI GOI
CEO, CIS Region

CIS REGION

In the CIS region, Nichimen has representative offices in Moscow, Khabarovsk, Almaty, and Baku, and handles the import and export of a wide range of goods: such raw materials as fuels, timber, and precious metals, as well as such products as machinery, plastics, chemicals and electronic components in the vast CIS region and Baltic countries.

Highlights of the past year included the establishment of subsidiary LLC Nichimen (Nichimen Russia) in Moscow to create new trading and invest in food, clothing, and daily life-related business fields. LLC Nichimen started operations on December 1, 2002.

Russia's GDP has shown remarkable growth for four consecutive years, and the government has become more stable. Under such positive circumstances, consumer markets of Russia, especially in such major cities as Moscow and Saint Petersburg, are growing rapidly. World-famous brand goods stores, large-scale supermarkets, shopping centers and home improvement centers are entering the Russian market at an astounding pace through Russian and Western investment.

Under these circumstances, Nichimen has entered the Russian markets for food, clothing, and daily life-related goods with investment plans for the retail business, maximizing the market-oriented and customer-oriented marketing functions of its local subsidiary, in addition to traditional trading in raw materials and machinery.

In a massive consumer market, Nichimen Russia began operations focusing on such fast-growing consumer electronics as digital cameras, cosmetics and health care-related products, textiles, and plastics such as food packaging films.

We have a history of more than 40 years of operations in Russia, stemming from the Soviet Union era. We will create a new history there by establishing retail businesses.

GLOBAL NETWORK

MAJOR OVERSEAS SUBSIDIARIES AND AFFILIATES

(As of July 1, 2003)

COUNTRY	COMPANY	LINES OF BUSINESS
PLASTICS & CHEMICALS COMPANY		
Belgium	PLANESA S.A.	Umbrella company for plastics operations in Europe; marketing and investment
Canada	American Biaxis, Inc.	Manufacture of nylon film
China	Asahi Kasei (Suzhou) Plastics Compound Co., Ltd.	Manufacture and sales of plastic compounds
China	North China Pharmaceutical Group Beta Co., Ltd.	Manufacture of penicillin
China	Richao Engineering Plastics (Beijing) Co., Ltd.	Manufacture and sales of plastic compounds
China	Super Engineering Plastics (Shenzhen) Ltd.	Manufacture and sales of plastic compounds
England	AK&N (UK) Ltd.	Stockholding
Finland	Biaxis Oy, Ltd.	Manufacture of nylon film
France	NEPCO S.A.	Manufacture of plastic cases
Hong Kong, S.A.R.*	Nichimen Plastics (China), Ltd.	Sales of plastic resins, compounds and machinery
Taiwan	Furukawa Circuit Foil Taiwan Corporation	Manufacture and sales of copper foil
Thailand	Nakashima Rubber (Thailand) Co., Ltd.	Manufacture and sales of automobile rubber parts
United States	American Fuji Seal, Inc.	Manufacture and sales of cap seals and labels
United States	Biaxis Packaging Sales, Inc.	Sales of nylon film and plastic resins
United States	LifeSparc, Inc.	Manufacture and sales of air-bag ignition devices and other automotive safety components
United States	Sanyo Plastics Compound America, Inc.	Manufacture and sales of plastic compounds
TEXTILES & CONSUMERS BUSINESS COMPANY		
China	DLM Textile (Su Zhou) Co., Ltd.	Home furnishing
China	Shanghai Fuji Life Co., Ltd.	Cleaning of down feathering and manufacture of bedding
China	Jiangyin Chengbang Wool Spinning Co., Ltd.	Manufacture of spun products
China	Nanjing Sumian Garment Co., Ltd.	Manufacture of apparel
China	Nichimen Textile (Shanghai) Co., Ltd.	Planning and sales of textiles
China	Ningpo Yong Mian Fashion Garment Co., Ltd.	Manufacture and sales of apparel
China	Qingdao Zhongmian Knitting Co., Ltd.	Knitting of textiles
China	Shandong Honglimian Knit Products Co., Ltd.	Manufacture and sales of socks
China	Zibo Huamian Garment Co., Ltd.	Manufacture and sales of denim apparel
Hong Kong, S.A.R.*	Nichimen Orient Wear Ltd.	Sourcing agent for apparel
Hong Kong, S.A.R.*	Posand Home Textiles Ltd.	Processing of dyes and prints
Indonesia	P.T. Moriuchi Indonesia	Manufacture of rubber blankets used in offset printing
Thailand	Thai Nylon Co., Ltd.	Fishing nets

*S.A.R. stands for Special Administrative Region.

COUNTRY	COMPANY	LINES OF BUSINESS
FOODSTUFFS COMPANY		
Australia	Elders Hycube Pty, Ltd.	Packaging and sales of hay fodder
China	Baoding Rongri Spice Co., Ltd.	Processing of cayenne pepper
China	Dalian Shuangri Foods Co., Ltd.	Assembling and sorting of soybeans
China	Heilongjiang Longqi Organic Food Development Co., Ltd.	Development and sales of organic foodstuffs
China	Heilongjiang Xinmian Rice Milling Co., Ltd.	Milling and sales of rice
China	Liaoning Northern Foods Co., Ltd.	Processing of vegetables
China	Sichuan South Foods Co., Ltd.	Processing of vegetables
Indonesia	P.T. Dwi Bina Utama	Fisheries
Indonesia	P.T. Mitra Kartika Sejati	Processing of shrimp
Singapore	Four Leaves Pte. Ltd.	Bakery chain
United States	Granplex, Inc.	Agricultural products
Vietnam	D&N Foods Processing (Danang) Co., Ltd.	Processing and sales of seafood
Vietnam	Dalat Japan Food Co., Ltd.	Production, sales and export of fresh and frozen vegetables
CONSTRUCTION & FOREST PRODUCTS COMPANY		
Malaysia	Nichimen (East Malaysia) Sdn. Bhd.	Export of forest products
New Zealand	Tachikawa Forest Products (N.Z.) Ltd.	Saw milling
United States	Castle Pines North Golf Company	Management of golf course
United States	H&W Investment Company	Real estate business
United States	MCE Associates LLC	Development of housing land
United States	Suncrown Development Inc.	Investment in real estate
United States	Troon North Golf Company	Management of golf course
MACHINERY & METALS COMPANY		
Brazil	Fuji do Brasil Maquinas Industriais Ltda.	Sales and service of surface-mounted technology (SMT) equipment
China	Kunshan NSK Co., Ltd.	Manufacture and sales of bearings
China	Shanxi Nichimen YW Magnesium Co., Ltd.	Manufacture and sales of magnesium automobile components
China	Shaoxing Asahi Bearing Co., Ltd.	Manufacture and sales of bearings
China	Zhejiang Asahi Bearing Co., Ltd.	Manufacture and sales of bearings
England	ECOWIND Ltd.	Feasibility studies of wind power development
India	NMTronics India Pvt. Ltd.	Sales and service of SMT equipment
Indonesia	P.T. Kalimantan Steel Co., Ltd.	Manufacture of galvanized iron sheets
Ireland	Geonet Aviation Ltd.	Operating lease of aircraft
Malaysia	Iriichi (Malaysia) Sdn. Bhd.	Manufacture and sales of switching power supplies/transformers
Mexico	NM Power Mexico S.A. de C.V.	Investment in power generation
New Zealand	Cawthray Motors Ltd.	Sales of automobiles
Philippines	Fuji Machine Philippines, Inc.	Sales and service of SMT equipment
Singapore	Fuji Machine MFG. (Singapore) Pte. Ltd.	Sales and service of SMT equipment
OTHERS		
Canada	F&P Mfg., Inc.	Manufacture of automobile and stamping parts
China	Cofcotianding International Trading Co., Ltd.	General trading company
Philippines	Pheschem Industrial Corporation	Animal nutritional products (Di calcium phosphate)
United States	Beal Manufacturing Inc.	Supply of specialty yarns
United States	Caleb Haley L.L.C.	Distribution of seafood
United States	F&P Georgia Mfg., Inc.	Manufacture of automobile and stamping parts
United States	Nichimen America Capital Corporation	Investment in real estate

MAJOR DOMESTIC SUBSIDIARIES AND AFFILIATES

(As of July 1, 2003)

COMPANY	LINES OF BUSINESS
PLASTICS & CHEMICALS COMPANY	
Artic Suzuki Co., Ltd.	Injection molding, processing, and sales of plastic house furnishings
Arysta LifeScience Corporation	Joint holding company with Tomen; collaborative life science business
CHORI PLA-TECHNO CO., LTD.	Sales of plastic raw materials and finished products
Global Chemical Holdings, Inc.	Joint holding company with Nissho Iwai; collaborative chemical business
Hi-Tech Chem. Co., Ltd.	Manufacture and sales of plastic compounds
N&L Marble Co., Ltd.	Import and sales of artificial marble
Nichimen Energy Co., Ltd.	Sales of petroleum products and service station operations
Nichipac Co., Ltd.	Manufacture and sales of processed paper products, such as paper bags and wrapping paper, as well as plastic bags and other plastic products
Nissho Iwai Plastic Corporation	Sales of plastic raw materials and machinery
PlaMatels Corporation	Sales of plastic raw materials and machinery
Pla-Net Holdings, Inc.	Joint holding company with Nissho Iwai and Chori Co., Ltd.; collaborative plastics business
TEXTILES & CONSUMERS BUSINESS COMPANY	
McLord Co., Ltd.	Shipping and receipt of intermediate textile products
NAKAU Co., Ltd.	Management and operation of Japanese fast food chain
Nichimen Fashion Co., Ltd.	Processing and wholesale of fabrics
Nichimen Infinity Inc.	Manufacture and sales of casual wear
Nihon Sportswear Co., Ltd.	Sales of sewn products
Takahata Co., Ltd.	Sales of sewn products
Japan Vinegar Bottlers Co., Ltd.	Wholesale of consumer sundries, household electric and other products
FOODSTUFFS COMPANY	
Hanshin Silo Co., Ltd.	Warehousing of grains
Takatsu Shoji Co., Ltd.	Wholesale of sugar and foodstuffs
Yamaaki Corporation	Processing, packaging, and sales of shellfish
Yamazaki-Nabisco Co., Ltd.	Manufacture of confectioneries
CONSTRUCTION & FOREST PRODUCTS COMPANY	
Nichimen Home Materials Corporation	Sales of building materials and household equipment; intermediary for freight space
Nichimen Nissho Realnet Corporation	Sales agent for for-sale condominiums, intermediary for used condominiums
Nichimen Real Estate Corporation	Real estate business
NICOM Property Management Corporation	Management of real estate, buildings, and condominiums
NM Life Corporation	Management and operation of nursing homes
Sun Building Materials Corporation	Sales of construction materials and household equipment; subcontracted design and construction work

COMPANY	LINES OF BUSINESS
MACHINERY & METALS COMPANY	
News Maritime Co., Ltd.	Management, operation, owner agency services, intermediary services, purchase and sale, consulting and financing of vessels and ship equipment
Nichimen Automobile Co., Ltd.	Import and export, brokerage and agency services for automobiles, construction equipment, and related components
Nichimen Aviation Corporation	Sales of security and airport-related facilities, aircraft equipment, and components
Nichimen Computer Systems Corporation	Development of software and information processing services
Nichimen Jewelry Co., Ltd.	Import, export, and sales of precious metals, jewelry and accessories
Nichimen Machinery Corporation	Export and domestic sales of measuring instruments, metal processing machines, printing equipment, and other machinery
Nichimen Metals Co., Ltd.	Sales of steel and nonferrous metal products, civil engineering products, and half-finished materials for civil engineering projects
Nichimen Sawada Power Corporation	Management and operation of thermal power generation facilities
Japan Steel Leasing Co., Ltd.	Rental, purchase, and sale of construction equipment; design and execution of civil engineering works
Miura Wind Power Co., Ltd.	Wind electric power company
Erimo Wind Power Co., Ltd.	Wind electric power company
OTHERS	
Heisei Medical Club Corporation	Operation of member-system checkup clinic
Nichimen Insurance Center Co., Ltd.*	Agency services for casualty and life insurance
Nichimen Logistics Co., Ltd.**	Operation of distribution and transport services
Nichimen Private Equity, Inc.	Operation of venture capital services
Nichimen Travel Service Corporation	Travel agency 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.)
Synergy Capital Ltd.	Investment advisor

OVERSEAS AND DOMESTIC OFFICES

OVERSEAS

For detailed information about Nichimen's overseas and domestic offices, please refer to the Company's Web site:

<http://www.nichimen.co.jp>

DOMESTIC

Nichimen Chubu Corporation
 Nichimen Higashinohon Corporation
 Nichimen Kyushu Corporation
 Nichimen Nishinohon Corporation

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

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

ENVIRONMENTAL ACTIVITIES

Recognizing its social responsibility as a *sogo shosha* and a good corporate citizen, to tackle environmental problems, Nichimen is making Companywide efforts to preserve the environment. Indeed, Nichimen already received ISO 14001 certification for environmental management systems at its Tokyo and Osaka headquarters in August 1999.

ENVIRONMENTAL POLICY

Basic Philosophy

Nichimen is dedicated to the corporate mission, “management for good corporate citizenship.” At Nichimen, we regard global environmental issues as one of the most important challenges in business management. We are seeking a sustainable society, in which both economic development and environmental preservation can coexist. In addition, we will do our best in all our various business practices to preserve and improve the global environment through the policies listed below:

Basic Policies:

1. Consideration of the global environment

We recognize the adverse impact of our business activities on the environment. We will, to the best of our ability, preserve the natural ecosystem and global environment as well as prevent environmental pollution.

2. Compliance with environmental laws

While conducting business activities, we will comply with environmental laws, international treaties, and agreements and standards that our committee deems to be in the best interest of environmental protection.

3. Continual improvement of environmental management systems

We established environmental management structures and systems, as well as set environmental objectives and environmental targets. Also, we will continuously review them to improve our environmental management.

4. Promotion of environmental preservation activities

In our daily activities, we will strive to reduce environmental burden through aggressive efforts to conserve energy and resources, reduce waste, increase recycling and encourage green procurement.

5. Promotion of environmental preservation businesses

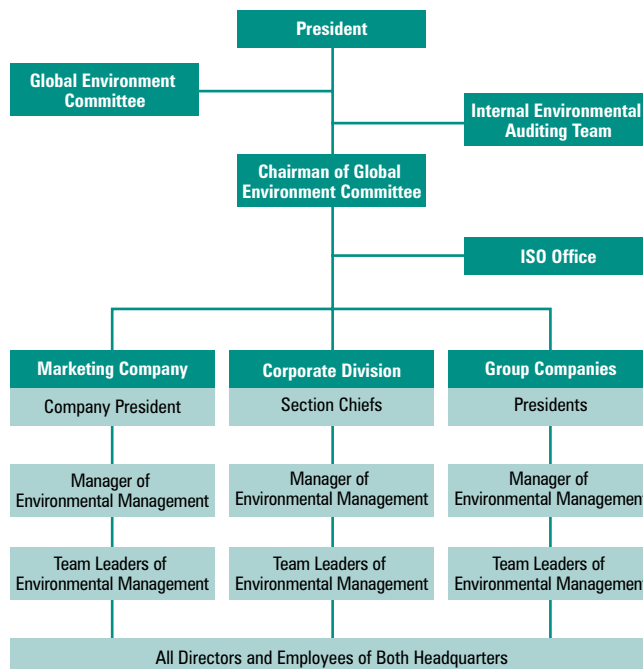
We will contribute to the realization of a recycling society and a sustainable society by promoting environmental preservation businesses through sales of environmentally friendly products and services as well as environment-related equipment, and develop recycling and new-energy businesses.

6. Notification and publication of environmental policies and promotion of educational activities

We will notify all directors and employees of these policies as well as disclose them to the public. Furthermore, we will promote educational and training activities to improve the awareness of employees pertaining to environmental preservation.

ENVIRONMENTAL MANAGEMENT SYSTEM

The environmental management system at Nichimen is headed by the chairman of the Global Environment Committee, who is appointed by the president as the highest authority on environmental management.



Global Environment Committee

The Global Environment Committee is an advisory panel on environmental issues for the president. The chairman of the committee is appointed by the president, and is responsible for formulating and promoting cross-sectional measures for environmental preservation.

Chairman of Global Environment Committee

The chairman of the Global Environment Committee is in charge of environmental management systems.

Manager of Environmental Management

Managers are appointed by the chairman of the Global Environment Committee to direct the environment management units of each corporate division and company within the Group. These managers implement and manage environmental management systems. (20 employees)

Team Leaders of Environmental Management

Appointed to each section, team leaders assist the managers of environmental management. (40 employees)

Internal Environmental Auditor

To periodically check on the status of environmental management systems, internal environmental auditors are appointed by the president from among employees that have completed training to become auditors. (Registered auditors: 13 employees)

MAIN ENVIRONMENTAL PRESERVATION BUSINESSES

Prevention of Global Warming

- Wind power generation
- Participation in New Energy and Industrial Technology Development Organization (NEDO) program
- Transactions in greenhouse gas emission rights
- Management of Eco Station, a compressed natural gas (CNG) station
- Sale of advanced equipment for treating dioxin in gas emissions
- Sale of distributed, wood biomass cogeneration systems

Promotion of Recycling in Society

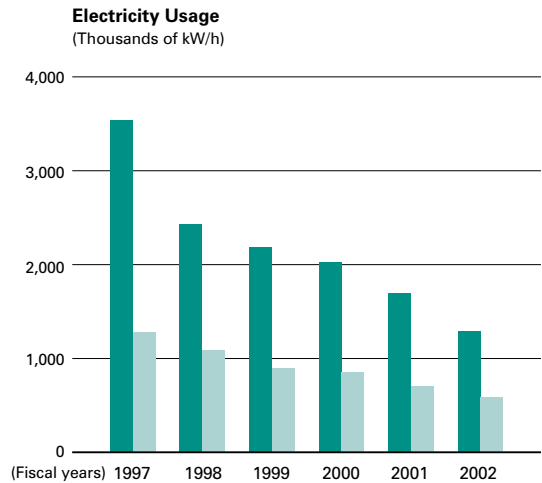
- Recycling of plastic scrap and polyvinyl plastics
- Reuse of raw garbage as soil improvement materials and organic fertilizer
- Recycling of wood scrap, used tires and construction sludge
- Sale of equipment for making pallets from unused wood biomass materials
- Sale of movable wood scrap pulverizing machines
- Sale of wastewater treatment facilities, dehydration equipment and methane gas recovery equipment
- Sale of alkaline hydrolysis facilities (for sterilizing organic material)
- Sale of high-frequency sterilization processing equipment (for infectious medical waste)

Environmentally Friendly Products and Services

- Sale of apparel that use recycled PET bottle materials
- Sale of condominiums with environmentally friendly designs
- Sale of FSC (Forest Stewardship Council) certified forest products
- Production and sale of organically grown foods
- Support acquisition of ISO 14001 certification

ENERGY CONSERVATION

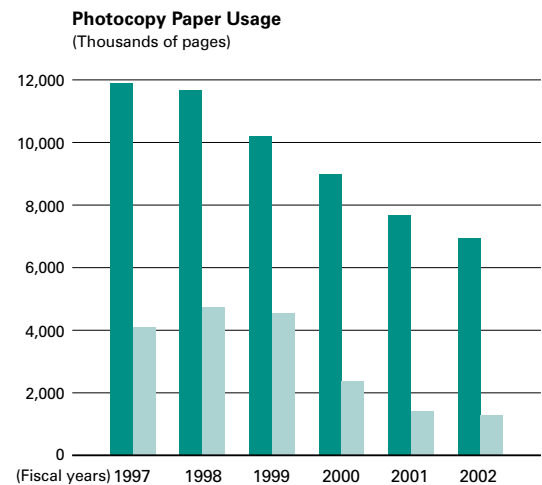
In a Companywide initiative to conserve energy, Nichimen encourages employees to turn off lights during lunch, after work and following the conclusion of meetings, as well as to adjust air conditioning temperatures and running hours according to the season of the year.



Tokyo Headquarters	3,538	2,428	2,182	2,021	1,695	1,286
Osaka Headquarters	1,277	1,088	897	845	698	582
Total	4,815	3,516	3,079	2,866	2,393	1,868

RESOURCE CONSERVATION

Nichimen is working toward a paperless office system across the Company. We encourage photocopying on both sides of paper, reducing printing from PCs, using electronic forms for internal procedures, and standardizing electronic forms to reduce the amount of paper used daily.



Tokyo Headquarters	11,909	11,663	10,175	8,946	7,669	6,921
Osaka Headquarters	4,073	4,704	4,513	2,343	1,370	1,228
Total	15,982	16,367	14,688	11,289	9,039	8,149

SEPARATION AND RECYCLING OF OFFICE WASTE

We have set up recycling boxes on each floor for the separation and recycling of waste generated in offices in accordance with our Separation and Recycling Manual. Through this effort, we aim to improve the rate of recycling.

**Waste Volume and Recycling Rate
(Mita NN Building at Tokyo Headquarters) (Tons)**

	(Fiscal years) 1997	1998	1999	2000	2001	2002
General Waste	351	356	314	315	311	264
Industrial Waste	55	54	53	53	48	57
Waste Volume	406	410	367	368	359	321
Recycling Rate (%)	29.7	35.4	42.3	43.7	45.6	44.2

**Paper Recycling Rate
(Mita NN Building at Tokyo Headquarters) (Tons)**

	(Fiscal years) 1997	1998	1999	2000	2001	2002
Paper Waste Recycling	109	132	144	151	152	131
Paper Waste Disposal Paper	167	123	91	81	70	56
Waste Volume	276	255	235	232	211	187
Recycling Rate (%)	39.5	51.8	61.3	65.1	68.5	70.2

SOCIAL CONTRIBUTIONS

To be a good corporate citizen, Nichimen engages in activities that contribute to society as a part of its code of ethics.

Nichimen Forest Scholarship Fund and Nichimen Cotton Fund

The Nichimen Forest Scholarship Fund aims to nurture forests and preserve tropical rain forests in Sarawak, Malaysia. The Nichimen Cotton Fund aims to stimulate the cotton industry in India by developing cotton seedlings and expanding research centers. We hope that these funds help to preserve the global environment and stimulate industry in areas closely related to the businesses of the Nichimen Group.



Nichimen Employees Contribute Internationally

Giving what you can, even something small, is better than nothing at all. With the slogan "contributing to the world from your dresser," Nichimen Group employees have donated used clothing to refugees in foreign countries every year since 1992. Clothing is donated to regions in conflict and countries that have suffered natural disasters through the Japan Relief Clothing Center, an international non-government organization. In addition, Nichimen supports the volunteer activities of its employees through a matching donation program.



Other Activities

Nichimen offers the use of its facilities for social welfare, medical health, education, the arts, culture, disaster relief, international exchange and other activities for regional communities.

FINANCIAL SECTION

CONSOLIDATED FIVE-YEAR SUMMARY

Nichimen Corporation and Consolidated Subsidiaries Years ended March 31

	Millions of yen				
	2003	2002	2001	2000	1999
For the years ended March 31:					
Net sales (Total trading transactions)	¥1,888,127	¥2,055,240	¥2,419,341	¥2,861,908	¥3,256,420
Gross trading profit	111,422	126,553	130,665	130,074	128,483
Operating income	21,567	33,054	23,079	20,546	21,464
Net income (loss)	(48,533)	1,340	(21,143)	2,937	(21,774)
Ratios:					
ROA	—%	0.09%	—%	0.17%	—%
ROE	—%	1.57%	—%	2.28%	—%
Asset turnover	1.61	1.46	1.45	1.69	1.73
Equity ratio	2.56%	5.81%	5.33%	7.61%	6.76%
As of March 31:					
Total assets	¥1,174,634	¥1,404,359	¥1,663,923	¥1,692,705	¥1,887,490
Net trade receivables	339,979	399,998	467,301	499,819	587,838
Trade payables	177,561	224,675	257,460	234,481	274,719
Interest-bearing debt	889,338	1,020,705	1,225,691	1,241,857	1,416,141
Total shareholders' equity	30,110	81,536	88,624	128,820	127,594
Working capital	(77,229)	22,252	49,071	136,230	174,355
Yen					
Per share amounts:					
Net income (loss)	¥(114.23)	¥3.21	¥(50.62)	¥7.03	¥(51.86)
Cash dividends	—	—	—	2.50	5.00
Shareholders' equity	70	195	212	308	306

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OVERVIEW

Despite some signs of a turnaround in the Japanese economy from the nadir of early 2002, general conditions in the fiscal year ended March 31, 2003 remained weak with little indication of growth. The principal factors contributing to harsh operating conditions were anxieties over the future of the global economy and the continuous deterioration in securities markets.

The U.S. economy also exhibited signs of an upturn, spurred by inventory adjustments at the beginning of 2002, but this was insufficient to push through a full-fledged recovery. European economies were characterized by mixed results with the modest recovery seen in the first half giving way to a slowdown in operating conditions in the second half. In Asia, on the other hand, China continued to show high growth, driven by strong domestic demand and an increase in exports. Taiwan and Singapore, which had suffered negative growth in real gross domestic product (GDP) in the previous year, returned a positive performance, while other ASEAN countries such as Indonesia, Malaysia, the Philippines, and Thailand, recorded increases in year-on-year growth, on the back of strong personal consumption. Asian markets on the whole rebounded to record steady growth.

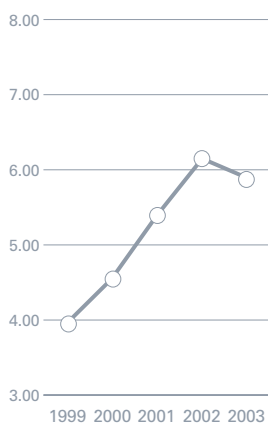
Despite measures to combat harsh domestic and global conditions, which included the reorganization of business portfolios, underpinned by a policy of "selection and concentration," and the reduction of inefficient and low-profit transactions, the Nichimen Group, which comprises Nichimen Corporation and its consolidated subsidiaries, has judged that more drastic initiatives are required.

In line with this thinking, the Nichimen Group took steps to integrate its business with Nissho Iwai Corporation, and through a transfer of shares established a joint holding company Nissho Iwai - Nichimen Holdings Corporation on April 1, 2003. The purpose of this undertaking was to lift earnings through restructuring and synergies, strengthen the Group's operating platform thereby raising efficiencies through integration and streamlining, and enhance its financial position by means of a capital increase, with the ultimate aim of becoming an innovative and functional trading company group.

In the fiscal year ended March 31, 2003, consolidated net sales decreased 8.1% to ¥1,888.1 billion, due to difficult domestic and overseas economic conditions, and the Company's effort to enhance reorganization of its business portfolio and withdraw from inefficient and low-profit transactions, underpinned by a policy of "selection and concentration." Consolidated gross trading profit decreased 12.0% to ¥111.4 billion, compounded by the adverse effects of business restructuring and a decline in land sale transactions, which had boosted profits in the previous fiscal year. Selling, general and administrative (SG&A) expenses were reduced ¥3.6 billion from the previous fiscal year, owing to a stringent review of costs Group-wide.

Adversely affected by the fall in consolidated gross trading profit, operating income decreased 34.8% to ¥21.6 billion. In addition, prior to the establishment of Nissho Iwai - Nichimen Holdings Corporation, the Company concluded strict asset assessments and recorded provisions for anticipated restructuring loss that might

Consolidated Gross Trading Profit Ratio (%)



Total	3.95	4.55	5.40	6.16	5.90
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be incurred in the process of business integration., This accounting treatment will enhance the quick realization of business integration effects and management flexibilities. As a result of other expenses of ¥54.7 billion, the Company recorded a consolidated net loss of ¥48.5 billion after taxes, which included devaluation loss for deferred tax assets, and minority interests for the period under review.

In terms of the Company's financial position, decreases in accounts receivable were mainly due to withdrawal from non-strategic businesses. Decreases in inventories were attributable to reduction in real estate for sale. In accordance with these asset reductions, interest-bearing debt decreased ¥131.4 billion to ¥889.3 billion compared with the end of the previous fiscal year. Free cash flows were down year on year to ¥137.1 billion reflecting the withdrawal from non-strategic businesses, reduction of real estate for sale and other assets, and the sale of investment securities.

RESULTS OF OPERATIONS

Net Sales (Total Trading Transactions)

Net sales for the fiscal year under review amounted to ¥1,888.1 billion, a decrease of 8.1%, or ¥167.1 billion. This was due to harsh economic conditions both in Japan and overseas, reorganization of business portfolios, underpinned by a policy of "selection and concentration," and the reduction of inefficient and low-profit domestic transactions and offshore grain commission sales.

Examined by type of trade, export sales decreased 17.8% year on year due mainly to sluggish sales in the plastics and chemicals fields, and the machinery and metals fields. Import sales declined 16.7% as a result of slow sales in the machinery and metals fields, and the textiles field. Compared with the previous fiscal year, domestic sales climbed 63.9% and offshore sales dropped 67.6%, owing to a reclassification of petroleum-related transactions from offshore sales to domestic sales.

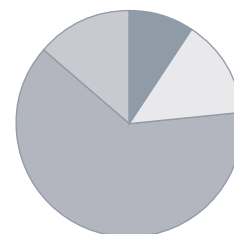
Examined by business segment, which will be outlined in more detail later, net sales fell across all business segments, except for the others segment and contributions from the purchase of NAKAU Co., Ltd.

Costs, Expenses and Earnings

Cost of sales decreased 7.9%, or ¥152.0 billion, to ¥1,776.7 billion, reflecting the drop in net sales, while gross trading profit declined 12.0%, or ¥15.1 billion, to ¥111.4 billion.

By business segment, the increase in gross trading profit in the others segment was attributed to the purchase of and contributions from NAKAU Co., Ltd., while all other segments reported a decline. Despite a strong performance in the domestic condominium business, earnings in the construction and forest products segment fell due to a decline in land sale transactions, which had boosted profits in the previous fiscal year. The purchase in the previous fiscal year of Chori Co. Ltd.'s plastics business contributed to earnings. This however was more than offset by the sale of the LP gas, petroleum, and carbon businesses, as well as the transfer of the Company's chemical businesses to an equity-method affiliate.

Net Sales by Type of Trade (Billions of yen)
(% of Net Sales)



Export	¥176.1 (9.3%)
Import	¥267.0 (14.1%)
Domestic	¥1,187.2 (62.9%)
Offshore	¥257.8 (13.7%)

Selling, general and administrative (SG&A) expenses were reduced 3.9% to ¥89.9 billion owing to a stringent review of costs Group-wide, despite an increase in transfers to reserves and the write-down of doubtful receivables emerging from strict asset reassessment. Of this amount, personnel expenses and other costs decreased ¥1.7 billion and ¥2.0 billion year on year, respectively.

Adversely affected by the fall in consolidated gross trading profit, operating income decreased 34.8%, or ¥11.5 billion, to ¥21.6 billion. A discussion of product information will be provided in the industry segments section.

Regarding other income (expenses), decreases in the volume of financial investments and in fund management returns caused interest income to fall ¥6.9 billion to ¥9.2 billion. However, a drop in interest-bearing debt reduced interest expense ¥5.8 billion, to ¥21.0 billion, and net interest expense, therefore, amounted to ¥11.8 billion, an increase of ¥1.1 billion. The balance of financial items, defined as the sum of net interest expense and dividend income, deteriorated ¥1.0 billion, from a ¥9.3 billion expense to a ¥10.3 billion expense. The net expense from other items within other income (expenses) was up ¥29.8 billion from the previous fiscal year to ¥44.3 billion. Other income items were affected by gains on the transfer of business operations. Other expenses were affected by the decline in stock prices, which caused losses on the devaluation of investment securities and restructuring efforts and the disposal of investments brought forward in connection with the integration with Nissho Iwai Corporation. The principal items within other expenses, net, were as follows:

- Gains on transfer of business operations of ¥3.1 billion to an equity-method affiliate Global Chemical Holdings, Inc., which is a joint holding company established in cooperation with Nissho Iwai to handle operations in the chemicals business.
- Loss on the devaluation of investment securities amounted to ¥28.6 billion. This was mainly owing to a write-down of shares in ITX Corporation and Japanese financial institutions due to the decline in stock prices.
- Loss on business restructuring totaled ¥9.4 billion. This was mainly due to provisions for anticipated loss relating to the transfer of the steel products business and the write-down of assets at some subsidiaries in accordance with the strict asset assessments policy.

As a result of these factors, consolidated loss before income taxes and minority interests was ¥33.1 billion, from consolidated income of ¥9.2 billion in the previous fiscal year. Consolidated net loss after taxes and minority interests was ¥48.5 billion, compared with net income of ¥1.3 billion in the previous fiscal year. As a consequence, net loss per share was ¥114.23.

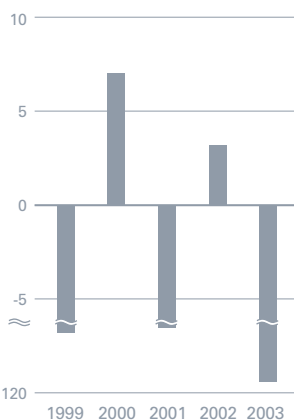
Analysis by Industry Segment

Performance by industry segment is as follows. The operating income for each segment includes intersegment transactions.

Plastics & Chemicals

The purchase of Chori Co. Ltd.'s plastics business by the consolidated subsidiary,

Net Income (Loss) per Share
(Yen)



Total	(51.86)	7.03	(50.62)	3.21	(114.23)
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Pla-Net Holdings, Inc., contributed to earnings. However, net sales declined 2.7%, compared with the previous fiscal year, to ¥960.8 billion, owing to the sale of the LP gas, petroleum, and carbon businesses, as well as the transfer of the Company's chemical businesses to Global Chemical Holdings, Inc., an equity-method affiliate, in line with the alliance with Nissho Iwai Corporation in the chemicals business field. Operating income dropped 31.5% to ¥4.8 billion.

Textiles

Net sales decreased 12.5%, compared with the previous fiscal year to ¥159.6 billion, and operating income declined 34.6% to ¥5.0 billion, owing to a deceleration in import transactions for some apparel products due to slack domestic demand.

Foodstuffs

Net sales decreased 19.6%, compared with the previous fiscal year to ¥182.6 billion, due to significant cutbacks of unprofitable offshore grain transactions. Operating income plummeted 83.3% to ¥0.3 billion, owing to a fall in gross trading profit from profit deterioration in import grain transactions.

Construction & Forest Products

Despite continued strong performance in condominiums, net sales decreased 7.6% to ¥176.9 billion, owing to a decline in land sale transactions, which had pushed up profits in the previous fiscal year. Operating income slipped 26.3% to ¥11.6 billion.

Machinery & Metals

Net sales declined 18.0%, compared with the previous fiscal year, to ¥353.0 billion due to a slowdown in some plant exports, slow sales of semiconductor manufacturing equipment, and continued efforts to withdraw from inefficient and low-profit transactions such as domestic mild steel transactions. Operating income surged 89.3% to ¥2.4 billion, owing to significant reductions in SG&A expenses.

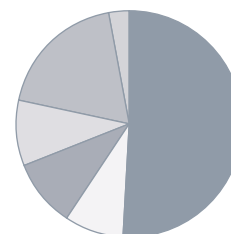
Others

Net sales rose 52.7%, compared with the previous fiscal year, to ¥55.3 billion stemming from the purchase of NAKAU Co., Ltd. by the Consumers Business Department, which was newly established to build new businesses for the retail industry and general consumers. Operating loss was ¥1.5 billion, due to weakness in IT operations and at some subsidiaries.

Group Companies' Results

As of March 31, 2003, there were 292 companies included in the scope of consolidation down 24 companies from the end of the previous fiscal year. Of this number, there are 163 consolidated subsidiaries, comprising 70 domestic subsidiaries and 93 overseas subsidiaries, and 129 companies accounted for by use of the equity method, comprising 27 domestic and 102 overseas companies.

Net Sales by Industry Segment (Billions of yen)
(% of Net Sales)



Plastics & Chemicals	¥960.8	(50.9%)
Textiles	¥159.6	(8.4%)
Foodstuffs	¥182.6	(9.7%)
Construction & Forest Products	¥176.9	(9.4%)
Machinery & Metals	¥353.0	(18.7%)
Others	¥55.3	(2.9%)

Total earnings of affiliated companies were ¥12.6 billion for the fiscal year under review, a year-on-year decline of ¥4.5 billion. Total losses of affiliated companies amounted to ¥12.1 billion, an increase of ¥5.5 billion. Accordingly, the net earnings from affiliated companies fell ¥10.0 billion from the previous fiscal year to ¥0.5 billion. In addition, the proportion of profit-making affiliated companies as a percentage of the total deteriorated 2.6 points to 74.7%. This can be attributed to the difficult economic environment in Japan and overseas, the one-off profits recorded at some affiliated companies in line with business restructuring implemented in the previous fiscal year, and the disposal of inefficient and low-profit assets at some affiliated companies in the fiscal year under review in preparation for the integration with Nissho Iwai and in an effort to strengthen the consolidated financial position.

Earnings of Group Companies

Billions of yen

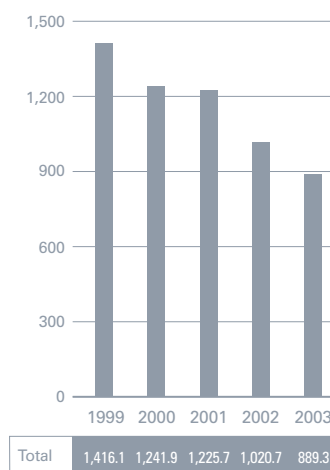
Years ended March 31	2003			2002		
	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Consolidated subsidiaries	9.2 (73.6%)	-8.7 (26.4%)	0.5 (100.0%)	12.6 (73.1%)	-5.0 (26.9%)	7.6 (100.0%)
Companies accounted for by the equity method	3.4 (76.0%)	-3.4 (24.0%)	0 (100.0%)	4.5 (82.3%)	-1.6 (17.7%)	2.9 (100.0%)
Total	12.6 (74.7%)	-12.1 (25.3%)	0.5 (100.0%)	17.1 (77.2%)	-6.6 (22.8%)	10.5 (100.0%)

Note: Numbers in parentheses represent the percentage of profitable and unprofitable companies.

FINANCIAL CONDITION

The Company has been pursuing selection and concentration in its activities as a means to rebuild its business portfolios. At the same time, the Company has been working to enhance its asset utilization efficiency, reduce the balance of interest-bearing debt, and improve its balance sheet structure.

Interest-Bearing Debt
(Billions of yen)



Assets

Total assets as of March 31, 2003, decreased 16.4%, or ¥229.7 billion, to ¥1,174.6 billion. Principal factors behind this decrease included:

- Drop in trade notes and accounts receivable that accompanied the withdrawal from non-strategic fields and the shrinkage of inefficient or low-profit businesses.
- Reduction of real estate for sale, inventories, and other assets.
- Write-down of stockholdings due to impairment and resulting in the lowering of the investment securities balance.

Current assets dropped ¥125.0 billion to ¥723.1 billion. This reflected falls in trade notes and accounts receivable in such non-strategic fields as metals and machinery and the restructuring of strategic fields including plastics and chemicals. The decline in inventories is mainly attributable to the reduction in real estate for sale in the construction & forest products segment.

Non-current assets fell ¥104.5 billion, to ¥451.5 billion. Investment securities were reduced ¥68.1 billion, to ¥126.2 billion. This was mainly the result of the ¥28.6

billion write-down of shares in ITX and other financial institutions and the sale of public bonds with the objective of increasing asset utilization efficiency. Non-current deferred tax assets fell ¥12.8 billion compared with the previous fiscal year-end, due to the implementation of stricter assessment policies applied.

Liabilities and Shareholders' Equity

Total liabilities as of March 31, 2003, decreased ¥170.9 billion, to ¥1,137.5 billion. This reflected the Company's efforts to lower assets and to reduce the balance of interest-bearing debt, which fell ¥131.4 billion, to ¥889.3 billion.

Current liabilities declined ¥25.5 billion, to ¥800.3 billion, due to the drop in trade payables associated with the reduction in operations in non-strategic fields such as machinery and metals, and the reorganization of the Company's plastics and chemicals businesses.

Long-term liabilities fell ¥145.4 billion, to ¥337.3 billion, owing to a decrease in long-term debt as well as such factors as the shift of the current portion of long-term debt to current liabilities.

Shareholders' equity as of March 31, 2003, stood at ¥30.1 billion, down ¥51.4 billion. The principal factors leading to this decline were the capital surplus reflecting the net loss for the period and deterioration of the foreign currency translation adjustments item due to the appreciation of the yen. As a result, shareholders' equity per share declined to ¥70.22 and the shareholders' equity ratio dropped 3.2 percentage points to 2.6%.

Nissho Iwai - Nichimen Holdings Corporation, parent company of Nichimen Corporation resolved to increase its capital by ¥278.2 billion through an issue of ¥266.0 billion in preferred stock, a ¥7.2 billion issue of common stock, and the issue of convertible bonds in the amount of ¥5.0 billion through a ¥50.0 billion capital-raising commitment facility in May 2003. In the same month, the Company received approximately ¥110.0 billion of this equity finance in the form of a capital increase, significantly enhancing its financial base. Boosted by this equity finance, Nichimen will redouble efforts to strengthen its business platform and earnings power and to continue measures to reduce unprofitable assets and to fortify its financial position.

Cash Flows

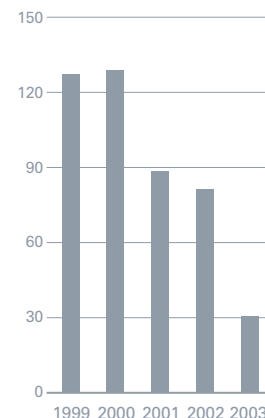
Cash and cash equivalents as of the end of the fiscal year stood at ¥193.3 billion, an increase of ¥14.6 billion. Cash flows for the fiscal year are detailed as follows.

Net cash provided by operating activities was ¥71.0 billion, up ¥0.4 billion from the previous fiscal year. The major components were a drop in operating funds from the machinery and metals, and plastics and chemicals businesses, and the decline in real estate for sale, inventories and other assets.

Net cash provided by investing activities totaled ¥66.2 billion, a decrease of ¥56.0 billion reflecting sale of investment securities and the collection of short-term loans.

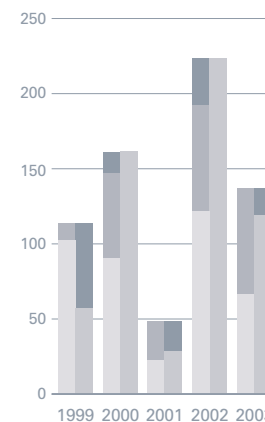
Net cash used in financing activities decreased ¥105.0 billion to ¥119.4 billion due to ongoing reductions in interest-bearing debt.

Total Shareholders' Equity
(Billions of yen)



Total	1999	2000	2001	2002	2003
	127.6	128.8	88.6	81.5	30.1

Cash Flows
(Billions of yen)



Net cash used in financing activities	(57.1)	(162.0)	(28.2)	(224.4)	(119.4)
Net cash provided by operating activities	11.6	56.9	25.9	70.5	71.0
Net cash provided by investing activities	102.6	90.4	22.5	122.1	66.2
Net increase (decrease) in cash	57.1	(14.7)	20.2	(31.8)	17.7

CONSOLIDATED BALANCE SHEETS

Nichimen Corporation and Consolidated Subsidiaries As of 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 2)	¥ 193,324	¥ 178,682	\$1,608,353
Time deposits (Note 4).....	3,816	6,522	31,747
Short-term investments (Notes 2, 3 & 4)	9,324	21,960	77,571
Receivables:			
Trade notes and trade accounts (Note 4)	293,185	357,329	2,439,143
Loans.....	11,649	32,232	96,913
Unconsolidated subsidiaries and affiliates	49,987	45,539	415,865
Allowance for doubtful receivables (Note 2)	(3,193)	(2,870)	(26,564)
Inventories (Notes 2 & 4)	107,080	139,442	890,849
Advance payments to suppliers	28,251	29,683	235,033
Deferred tax assets—current (Notes 2 & 7)	4,029	4,712	33,519
Other current assets	25,602	34,802	212,995
Total current assets	723,054	848,033	6,015,424
Investments and Non-Current Receivables:			
Investment securities (Notes 2, 3 & 4)	88,898	172,495	739,584
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 2)	67,586	67,277	562,280
Long-term loans and trade receivables	90,426	114,928	752,296
Allowance for doubtful receivables (Note 2)	(56,646)	(66,260)	(471,265)
Other investments and receivables	36,467	28,207	303,386
Total investments and non-current receivables	226,731	316,647	1,886,281
Property and Equipment, at Cost (Notes 2 & 4):			
Land	76,811	79,235	639,027
Buildings and structures	56,795	55,528	472,504
Property leased to others	31,612	24,040	262,995
Equipment, fixtures and others	72,943	74,689	606,847
Accumulated depreciation	(50,229)	(43,593)	(417,879)
Net property and equipment	187,932	189,899	1,563,494
Other Assets:			
Deferred tax assets on land revaluation (Notes 2, 7 & 17)	2,007	2,059	16,697
Deferred tax assets—non-current (Notes 2 & 7).....	29,894	42,719	248,702
Other	5,016	5,002	41,731
Total other assets	36,917	49,780	307,130
Total	¥1,174,634	¥1,404,359	\$9,772,329

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY	2003	2002	2003
Current Liabilities:			
Short-term debt, principally unsecured (Notes 4 & 5)	¥ 322,286	¥ 329,856	\$2,681,248
Commercial paper.....	2,300	—	19,135
Current portion of long-term debt (Notes 4 & 5).....	244,019	222,431	2,030,108
Trade payables:			
Notes and accounts.....	168,411	220,086	1,401,090
Unconsolidated subsidiaries and affiliates.....	9,150	4,589	76,123
Accrued liabilities.....	4,806	5,189	39,983
Income taxes.....	2,652	5,370	22,063
Advances received from customers.....	10,321	6,797	85,865
Deferred tax liabilities—current (Notes 2 & 7)	17	45	142
Allowance for restructuring loss (Note 2).....	4,392	—	36,539
Other current liabilities.....	31,929	31,418	265,632
Total current liabilities.....	800,283	825,781	6,657,928
Long-Term Liabilities:			
Long-term debt, less current portion (Notes 4 & 5)	320,733	468,418	2,668,328
Liabilities for severance payments (Notes 2 & 6)	8,332	6,026	69,318
Deferred tax liabilities—non-current (Notes 2 & 7)	4,011	3,678	33,369
Other long-term liabilities	4,178	4,496	34,759
Total long-term liabilities.....	337,254	482,618	2,805,774
Minority Interests	6,987	14,424	58,128
Shareholders' Equity (Note 8):			
Common stock:			
Authorized—997,379,000 shares			
Issued—434,511,179 shares (421,002,957—2002).....	52,179	52,179	434,101
Capital surplus	49,325	48,140	410,357
Land revaluation difference (Note 17)	(6,096)	(6,535)	(50,715)
Retained earnings (Note 14)	(39,661)	9,655	(329,958)
Net unrealized losses on securities (Notes 2 & 14)	(6,726)	(8,466)	(55,957)
Foreign currency translation adjustments (Note 2)	(17,868)	(12,495)	(148,652)
Treasury stock (Note 9).....	(1,043)	(942)	(8,677)
Total shareholders' equity	30,110	81,536	250,499
Contingent Liabilities (Note 12)			
Total	¥1,174,634	¥1,404,359	\$9,772,329

CONSOLIDATED STATEMENTS OF OPERATIONS

Nichimen Corporation and Consolidated Subsidiaries For the 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) (Notes 2 & 16)	¥1,888,127	¥2,055,240	¥2,419,341	\$15,708,211
Cost of Sales (Note 2)	1,776,705	1,928,687	2,288,676	14,781,240
Gross trading profit	111,422	126,553	130,665	926,971
Selling, General and Administrative Expenses	89,855	93,499	107,586	747,546
Operating income (Note 16)	21,567	33,054	23,079	179,425
Other Income (Expenses):				
Interest income	9,165	16,056	21,989	76,248
Interest expenses	(21,023)	(26,767)	(33,464)	(174,900)
Dividends	1,503	1,446	1,626	12,504
Equity in Earnings (Losses) of Unconsolidated Subsidiaries and Affiliates	(311)	(781)	(897)	(2,587)
Others, net (Note 10)	(44,025)	(13,804)	(41,279)	(366,265)
	(54,691)	(23,850)	(52,025)	(455,000)
Income (Loss) before Income Taxes and Minority Interests ..	(33,125)	9,204	(28,946)	(275,582)
Income Taxes (Notes 2 & 7):				
Current	4,574	7,636	13,555	38,053
Deferred	10,547	(218)	(21,872)	87,746
	15,121	7,418	(8,317)	125,799
Minority Interests	287	446	514	2,388
Net Income (Loss)	¥ (48,533)	¥ 1,340	¥ (21,143)	\$ (403,769)
			Yen	U.S. dollars (Note 1)
Net Income (Loss) per Share (Note 2)	¥ (114.23)	¥ 3.21	¥ (50.62)	\$ (0.95)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nichimen Corporation and Consolidated Subsidiaries For the 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 8):				
Beginning balance	¥ 52,179	¥ 52,179	¥ 52,179	\$ 434,101
Ending balance	¥ 52,179	¥ 52,179	¥ 52,179	\$ 434,101
Capital Surplus (Note 8):				
Beginning balance	¥ 48,140	¥ 48,140	¥ 48,140	\$ 400,499
New issue of stocks by exchange of shares	1,291	—	—	10,740
Loss on disposal of treasury stock	(106)	—	—	(882)
Ending balance	¥ 49,325	¥ 48,140	¥ 48,140	\$ 410,357
Retained Earnings (Note 8):				
Beginning balance	¥ 9,655	¥ 8,194	¥ 29,505	\$ 80,324
Net income (loss)	(48,533)	1,340	(21,143)	(403,769)
Effect from changes of consolidated subsidiaries and affiliates accounted for by use of the equity method and others	(30)	16	(56)	(250)
Transfer to net unrealized losses on securities	—	128	—	—
Bonuses to directors	(62)	(23)	(38)	(516)
Change in unrealized appreciation (depreciation) on marketable securities (Note 14)	—	—	(74)	—
Reversal of land revaluation difference	(493)	—	—	(4,101)
Minimum pension liability adjustment (Note 15)	(198)	—	—	(1,647)
Ending balance	¥(39,661)	¥ 9,655	¥ 8,194	\$ (329,958)
Land Revaluation Difference (Note 17)	¥ (6,096)	¥ (6,535)	¥ —	\$ (50,715)
Net Unrealized Losses on Securities (Note 14)	¥ (6,726)	¥ (8,466)	¥ —	\$ (55,957)
Foreign Currency Translation Adjustments (Note 2)	¥(17,868)	¥(12,495)	¥(18,873)	\$ (148,652)
Treasury Stock (Note 8)	¥ (1,043)	¥ (942)	¥ (1,016)	\$ (8,677)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nichimen Corporation and Consolidated Subsidiaries For the 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) from consolidated operations before income taxes ...	¥ (33,125)	¥ 9,204	¥ (28,946)	\$ (275,582)
Adjustments to reconcile income from consolidated operations before income taxes to net cash provided by (used in) operating activities:				
Depreciation and amortization	7,888	8,333	6,817	65,624
Write-down of real estate held for sale	—	—	3,895	—
Write-down of securities	28,652	33,383	41,683	238,369
Gains on sale of business.....	(3,086)	(17,913)	—	(25,674)
Losses on disposal of property and equipment	348	1,115	1,195	2,895
Amortization of goodwill recognized on consolidation.....	746	647	254	6,206
(Decrease) increase in allowance for doubtful receivables ...	(4,063)	(12,398)	45,791	(33,802)
Increase in allowance for restructuring loss	4,392	—	—	36,539
Increase in liabilities for severance payments	2,278	1,601	707	18,952
Interest and dividend income.....	(10,667)	(17,502)	(23,615)	(88,744)
Interest expenses	21,023	26,767	33,464	174,900
Foreign exchange (gain) loss, net.....	(234)	(2,059)	460	(1,947)
Equity in losses of unconsolidated subsidiaries and affiliates ..	311	781	897	2,587
Losses (gains) on sale of securities	2,128	(3,185)	(70,864)	17,704
Losses (gains) on sale of property and equipment.....	854	421	(608)	7,105
Decrease (increase) in trade receivables.....	72,479	105,630	(4,391)	602,987
Decrease (increase) in inventories	31,186	(110)	364	259,451
(Decrease) increase in trade payables	(41,733)	(42,909)	35,896	(347,196)
Bonuses to directors and corporate auditors.....	(80)	(34)	(38)	(666)
Others, net.....	9,247	(103)	1,576	76,931
	88,544	91,669	44,537	736,639
Interest and dividends received	10,866	17,672	24,184	90,399
Interest paid	(21,081)	(28,170)	(33,377)	(175,383)
Income taxes paid	(7,345)	(10,633)	(9,464)	(61,106)
Net cash provided by operating activities	70,984	70,538	25,880	590,549
Cash Flows from Investing Activities:				
Change in time deposits, net	2,152	(1,677)	3,115	17,903
Change in marketable securities, net.....	10,980	43,112	15,585	91,348
Payments for property and equipment	(7,717)	(7,738)	(13,183)	(64,201)
Proceeds from sale of property and equipment.....	4,575	41,088	17,448	38,062
Payments for purchase of investment securities.....	(40,860)	(41,052)	(177,668)	(339,933)
Proceeds from sale of investment securities.....	71,443	61,164	90,003	594,368
Payments for acquisition of newly consolidated subsidiaries ...	(485)	(6,453)	(10,727)	(4,035)
Proceeds from sale of consolidated subsidiaries	(649)	6,221	67,294	(5,399)
Change in short-term loans, net.....	10,775	(11,524)	1,806	89,642
Increase of long-term loans.....	(3,260)	(7,278)	(50,055)	(27,121)
Collection of long-term loans	5,639	26,382	80,669	46,913
Proceeds from sale of businesses	9,398	23,496	—	78,186
Others, net.....	4,160	(3,600)	(1,834)	34,608
Net cash provided by investing activities.....	66,151	122,141	22,453	550,341
Cash Flows from Financing Activities:				
Change in short-term debt, net	(297)	(61,090)	(107,219)	(2,471)
Change in commercial paper, net	2,300	(51,500)	11,600	19,135
Proceeds from long-term debt	137,590	167,892	214,023	1,144,676
Repayment of long-term debt	(201,587)	(249,252)	(180,664)	(1,677,097)
Proceeds from issuance of bonds	—	—	45,684	—
Redemption of bonds.....	(57,348)	(31,392)	(11,561)	(477,105)
Proceeds from issuance of common stock to minority shareholders ..	229	1,089	412	1,905
Dividends paid to minority shareholders.....	(326)	(231)	(246)	(2,712)
Others, net.....	(4)	74	(276)	(33)
Net cash used in financing activities.....	(119,443)	(224,410)	(28,247)	(993,702)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(2,920)	5,564	3,897	(24,293)
Net Increase (Decrease) in Cash and Cash Equivalents	14,772	(26,167)	23,983	122,895
Cash and Cash Equivalents due to Increase/Decrease of Consolidated Subsidiaries	(130)	23	(986)	(1,081)
Cash and Cash Equivalents at the Beginning of the Year ...	178,682	204,826	181,829	1,486,539
Cash and Cash Equivalents at the End of the Year	¥193,324	¥178,682	¥204,826	\$1,608,353

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nichimen Corporation and Consolidated Subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the accounts maintained by Nichimen Corporation ("the Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Securities and Exchange Law of Japan and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

Effective April 1, 2002, Corporate Accounting Standard "Accounting Standard for Treasury Stock and Reversal of Legal Reserves" was adopted by Nichimen Corporation and its consolidated subsidiaries.

"Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan) and "Implementation Guidance for

Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan Implementation Guidance) have been applied to the Company's consolidated financial statements commencing April 1, 2002. In future earnings per share shall be calculated after deducting those items not attributable to shareholders' equity (bonuses to directors and corporate auditors).

Certain reclassifications and modifications have been made to present the accompanying financial statements in a format which is familiar to readers outside Japan.

For the convenience of readers outside Japan, the accompanying financial statements are also presented in United States dollars by translating Japanese yen amounts at the exchange rate of ¥120.20 to U.S.\$1 prevailing at the end of March 2003.

The translation should not be construed as a representation that the Japanese yen amounts could be converted into United States dollars at the above or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

■ Principles of consolidation

The consolidated financial statements include the accounts of the Company and its significant majority-owned domestic and foreign subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Investments in unconsolidated subsidiaries and affiliates, with minor exceptions, are accounted for by use of the equity method.

The excess of the cost of the Company's investment in the consolidated subsidiaries and in the above unconsolidated subsidiaries and affiliates over its equity in the net assets obtained at fair value at the date of acquisition is being amortized over a period of 5 to 20 years using the straight-line method.

■ Cash equivalents

The Company considers time deposits and highly liquid investments that are readily convertible to cash with a maturity of three months or less at the time of acquisition to be cash equivalents.

■ Foreign currency translation

Both current and non-current receivables and payables in foreign currencies are translated at current rates prevailing at the balance sheet date and the resulting exchange gains or losses are recognized in earnings.

Translations are made at the year-end rate for balance sheet items, except for shareholders' equity, which is translated at historical rates, and at the annual average rate for revenues and expenses. Resulting translation adjustments are reflected in the consolidated financial statements as foreign currency translation adjustments. The foreign currency translation adjustments are presented in shareholders' equity and minority interests.

■ Allowance for doubtful receivables

The allowance for bad debts and doubtful receivables is provided in an amount sufficient to cover credit losses, based on the collectibility of individual receivables and the allowance for other receivables, based on the past credit loss experience.

■ Inventories

Inventories are stated at cost on a specific-identification basis. However, when the fair value is substantially less than cost, inventories are revalued at fair value. Inventories of overseas consolidated subsidiaries are stated at the lower of cost or market value principally on a specific-identification basis.

■ Capitalization of interest costs

Interest costs on certain real estate for sale under construction are capitalized until sales realization to achieve a better measure of acquisition costs of real estate for sale and to result in a better matching of revenue and costs.

Provision and reversal for the fiscal year under review were ¥288 million (U.S.\$2,396 thousand) and ¥103 million (U.S.\$857 thousand), respectively. Provision and reversal for the previous fiscal year were ¥199 million (U.S.\$1,493 thousand) and ¥30 million (U.S.\$225 thousand), respectively. The outstanding amounts capitalized as of March 31, 2003 and 2002 are ¥386 million (U.S.\$3,211 thousand) and ¥201 million (U.S.\$1,508 thousand), respectively.

■ Short-term investments and investment securities

Under the Accounting Standard for Financial Instruments (effective from April 1, 2000), Short-term Investments and Investment Securities are classified as either (a) debt securities intended to be held to maturity (hereinafter referred to as "Held-to-Maturity Debt Securities") or (b) securities other than the above (hereinafter referred to as "Other Securities"). On the balance sheet, these securities are shown as "Investment Securities", except the securities whose maturity will come within one year, which are shown as "Short-term Investments".

The Held-to-Maturity Debt Securities and the Other Securities are stated in the following manner:

- (1) Held-to-Maturity Debt Securities are stated at amortized cost for the year ended March 31, 2002.
- (2) Other Securities are stated at fair value for the years ended March 31, 2003 and 2002.

For March 31, 2003 and 2002, "Net Unrealized Losses on Securities" is stated at net of tax in Shareholders' Equity on the balance sheet.

- (3) Certain write-downs of the securities are recognized in earnings when the securities have substantial losses and are not expected to recover such losses in the near future.

MMFs and commercial paper, which belong to marketable securities, are included in cash and cash equivalents. The amounts as of March 31, 2003 and March 31, 2002 were ¥1,943 million (U.S.\$16,165 thousand) and ¥8,098 million (U.S.\$60,773 thousand), respectively.

■ Deferred charges

All costs incurred in connection with the issuance of debentures and shares are deferred and amortized over three years using the straight-line method. Debt discounts on bonds are deferred and amortized over the period through the redemption using the straight-line method.

■ Property and equipment

Property and equipment are principally depreciated by the declining-balance method, except for the Tokyo Head Office Building, which is depreciated by the straight-line method.

■ Securitization of property, plant and equipment

For property, plant and equipment, the Tokyo Head Office entrusts a fiduciary bank to handle a portion of its securitization transactions. In the securitization scheme, although control rights for applicable real estate are forfeited, the Company retains 97% of trust beneficiary rights on the closing date of consolidated accounts. In addition, since the risk burden ratio is more than 5%, the applicable real estate continues to be recorded as property, plant and equipment under accounting regulations regarding the accounting of trustees related to the securitization of real estate using a special purpose company.

■ Finance lease transactions without transfer of ownership

Finance lease transactions, other than those where ownership of the lease property is regarded as being transferred to the lessee, are accounted for in the same way as operating lease transactions.

■ Liabilities for severance payments and pension costs

The Company has an unfunded severance payments plan and a funded non-contributory pension plan covering all eligible employees.

Under the new Accounting Standards for Employees' Retirement and Severance Benefits (effective from April 1, 2000), the Company and its consolidated subsidiaries provide for retirement benefits based on the present value of projected benefit obligations attributable to employee services rendered by the end of the year and the fair value of the pension plan assets.

The unrecognized net retirement benefit obligation at transition is being amortized over eight years by the straight-line method with minor exceptions.

Prior service cost is being amortized as incurred by the straight-line method over a period of seven years which is shorter than the average remaining number of years of service of the employees.

Actuarial gains and losses recognized in this year will be amortized primarily by the straight-line method over 14 years, which are shorter than the average remaining years of service of the employees from the following fiscal year.

■ Amendments to the severance and pension system

At meeting of Board of Directors held on March 28, 2003, the Company resolved to change its retirement benefit plans. The changes are mainly curtailment of a tax qualified pension plan and adoption of a defined contribution pension plan.

As a result, employees will withdraw from the tax qualified pension plan and lump sum retirement benefit plan and enter into the defined contribution pension plan and advance retirement benefit plan during the fiscal year ending March 31, 2004. At the same time, the annuitant will withdraw from the tax qualified pension plan and receive the present value of annuity.

The Company is projecting an extraordinary loss of approximately ¥10 billion in the fiscal year ending March 31, 2004, representing

the unamortized portion of the accrued retirement benefit liability as a result of this change.

■ Allowance for restructuring loss

An amount is allocated to cover future losses incurred in the implementation of the Company's business restructuring plan.

■ Net sales (total trading transactions) and gross trading profit

As general trading companies, the Company and certain of its consolidated subsidiaries act either as principal or agent in trading transactions. Net sales represent the sales volume of all those transactions in which the companies participate, whether as principal or agent. Gross trading profit consists of gross margin (sales less cost of sales) on transactions in which the companies act as principal and commissions on transactions in which the companies serve as agent.

■ Income taxes

Deferred tax assets and liabilities are recognized for the estimated future tax effects attributable to temporary differences between the carrying amounts and the tax bases of assets and liabilities, and tax losses which can be carried forward, and are measured using the enacted tax rate which will be in effect when the differences are expected to be recovered or settled.

■ Net income (loss) per share

The computation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding in each period. Diluted net income per share is not disclosed because potentially dilutive securities are not issued.

■ Derivative financial instruments

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 financial instruments are used for hedging purpose.

If derivative financial 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 income statement 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.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

As of March 31, 2003 and 2002, the costs, the book values, and the net unrealized gains/losses of Held-to-Maturity Debt Securities and Other Securities in Short-term Investments and Investment Securities were as follows:

Year ended March 31, 2003	Millions of yen			Thousands of U.S. dollars		
	Cost	Book value (=Fair value)	Net unrealized gains (losses)	Cost	Book value (=Fair value)	Net unrealized gains (losses)
Securities classified as Other Securities:						
Equity securities	¥50,957	¥40,970	¥(9,987)	\$423,935	\$340,849	\$(83,087)
Debt securities	9,103	9,648	545	75,732	80,266	4,534
Others	7,861	7,725	(135)	65,399	64,268	(1,123)
Total	¥67,921	¥58,343	¥(9,577)	\$565,066	\$485,383	\$(79,676)

Year ended March 31, 2002	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)
Securities classified as Held-to-Maturity Debt Securities						
	¥15,265	¥15,164	¥(101)	\$114,559	\$113,801	\$(758)
Total	¥15,265	¥15,164	¥(101)	\$114,559	\$113,801	\$(758)

Year ended March 31, 2002	Millions of yen			Thousands of U.S. dollars		
	Cost	Book value (=Fair value)	Net unrealized gains (losses)	Cost	Book value (=Fair value)	Net unrealized gains (losses)
Securities classified as Other Securities:						
Equity securities	¥ 75,002	¥ 63,831	¥(11,171)	\$ 562,867	\$ 479,032	\$(83,835)
Debt securities	63,833	62,059	(1,774)	479,047	465,734	(13,313)
Others	9,869	10,590	721	74,064	79,475	5,411
Total	¥148,704	¥136,480	¥(12,224)	\$1,115,978	\$1,024,241	\$(91,737)

The above excludes the securities without fair value to be quoted.

4. PLEDGED ASSETS

As of March 31, 2003 and 2002, the following assets were pledged as collateral for short-term debt, long-term debt, commitments and guarantees:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Deposits in bank	¥ 1,602	¥ 1,790	\$ 13,328
Accounts receivable.....	6,896	7,539	57,371
Securities, principally quoted.....	13,669	27,276	113,719
Inventories.....	407	450	3,386
Property and equipment, net of accumulated depreciation.....	18,152	22,189	151,015
Total.....	¥40,726	¥59,244	\$338,819

Transaction guarantee deposited included in assets pledged as collateral for borrowings and investment securities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Short-term debt, current portion of long-term debt	¥28,455	¥36,155	\$236,730
Investment securities.....	¥ 4,638	¥ 5,450	\$ 38,586

5. SHORT-TERM AND LONG-TERM DEBT

■ Short-term debt

Short-term debt, principally to banks, as of March 31, 2003 and 2002 was generally represented by short-term notes, maturing within 110 days, bearing interest principally at 1.40 per cent. and

0.90 per cent. per annum, respectively. The Company and its consolidated subsidiaries have had no difficulty in renewing such notes when necessary.

■ Summary of long-term debt

Long-term debt as of March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
2.525 per cent. unsecured notes due 2002.....	¥ —	¥ 10,000	\$ —
2.40 per cent. unsecured notes due 2003.....	10,000	10,000	83,195
2.15 per cent. unsecured notes due 2003.....	9,900	10,000	82,363
3.05 per cent. unsecured notes due 2003.....	—	9,800	—
2.50 per cent. unsecured notes due 2002.....	—	10,000	—
3.00 per cent. unsecured notes due 2002.....	—	5,000	—
2.42 per cent. unsecured notes due 2002.....	—	10,000	—
2.40 per cent. unsecured notes due 2003.....	12,076	12,076	100,466
3.21 per cent. unsecured notes due 2004.....	4,500	7,400	37,438
2.673 per cent. unsecured notes due 2003.....	3,000	3,000	24,958
2.34 per cent. Euro-notes due 2002.....	—	5,000	—
0.24 per cent. Euro-notes due 2003.....	5,000	5,000	41,597
2.03 per cent. unsecured notes due 2004.....	8,000	8,700	66,556
2.70 per cent. unsecured notes due 2005.....	8,400	8,700	69,883
2.10 per cent. unsecured notes due 2004.....	19,800	19,800	164,725
Notes issued under consolidated subsidiaries' medium-term note programs, maturing serially through 2008, principally 1.55 per cent. to 3.35 per cent.	1,483	5,344	12,338
Long-term debt from commercial and trust banks, long-term credit banks and insurance companies, maturing serially through 2014 bearing interest, 0.14 per cent. to 7.81 per cent.	436,155	514,007	3,628,577
Long-term debt from governmental financial institutions, principally from Japan Bank for International Cooperation, maturing serially through 2032 bearing interest, 0.75 per cent. to 6.45 per cent.	14,699	28,022	122,288
Other long-term debt, maturing serially through 2008 bearing interest, 1.05 per cent. to 3.71 per cent.	31,739	9,000	264,052
	564,752	690,849	4,698,436
Less current portion	(244,019)	(222,431)	(2,030,108)
Total.....	¥320,733	¥468,418	\$2,668,328

The aggregate annual maturities of long-term debt as of March 31, 2003 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2004.....	¥244,019	\$2,030,108
2005.....	139,013	1,156,514
2006.....	113,167	941,489
2007 and thereafter.....	68,553	570,325
Total.....	¥564,752	\$4,698,436

As is customary in Japan, short-term and long-term bank borrowings are made under general agreements which provide that additional securities and guarantees for present and future indebtedness will be given upon the request of the bank, and that any collateral so provided will be applicable to all indebtedness

due to such bank. In addition, the agreements provide that the bank has the right to offset cash deposited against short-term and long-term borrowings that become due and, in case of default and certain other specified events, against all other debt payable to the bank. No such request has been made to date.

6. LIABILITIES FOR SEVERANCE PAYMENTS AND PENSION COSTS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

Some foreign consolidated subsidiaries also have defined

benefit plans. Some consolidated subsidiaries have established a retirement allowance trust.

The funded and accrued status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2003 and 2002 for the Company's and the consolidated subsidiaries' defined benefit plans were as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Retirement benefit obligation	¥(42,295)	¥(48,051)	\$(351,872)
Plan assets at fair value	13,720	16,816	114,143
Unfunded retirement benefit obligation	(28,575)	(31,235)	(237,729)
Unrecognized net retirement benefit obligation at transition	15,130	18,199	125,874
Unrecognized actuarial loss	6,768	8,972	56,306
Unrecognized prior service cost	(1,525)	(1,829)	(12,687)
Net retirement benefit obligation	(8,202)	(5,893)	(68,236)
Prepaid pension cost	130	133	1,082
Accrued retirement benefits	¥ (8,332)	¥ (6,026)	\$ (69,318)

The components of retirement benefit expenses for the years ended March 31, 2003 and 2002 were as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Service cost	¥1,117	¥1,070	\$ 9,293
Interest cost	1,221	1,465	10,158
Expected return on plan assets	(536)	(650)	(4,459)
Amortization of net retirement benefit obligation at transition	3,062	3,010	25,474
Amortization of unrecognized actuarial loss	668	199	5,557
Amortization of prior service cost	(305)	(305)	(2,537)
Total	¥5,227	¥4,789	\$43,486

The assumed discount rates were 2.5% for the year ended March 31, 2003, and 2.75–3.0% for the year ended March 31, 2002. The expected return on assets was 3.5% for the years ended March 31, 2003 and 2002.

Except the retirement benefit expenses stated above, the

Company paid special severance benefit of ¥1,815 million (U.S. \$15,100 thousands) in 2003 and ¥2,151 million in 2002 as extra ordinary loss.

Due to the revision of the severance and pension plan, a prior service cost incurred in the fiscal year ended March 31, 2002.

7. INCOME TAXES

As of March 31, 2003 and 2002, the principal accrual causes of deferred tax assets and deferred tax liabilities were as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Deferred tax assets:			
Allowance for doubtful receivables	¥18,201	¥18,421	\$151,423
Liabilities for severance payments	3,175	1,993	26,414
Net operating loss carryforwards	19,825	3,293	164,933
Write-down of real estate held for sale	1,067	1,273	8,877
Unrealized profit.....	4,662	5,128	38,785
Write-down of investment securities.....	7,819	11,080	65,050
Unrealized losses on securities	3,946	5,707	32,829
Revaluation difference on land (Note 17)	2,007	2,058	16,697
Others	4,526	4,396	37,654
Total deferred tax assets	65,228	53,349	542,662
Valuation allowance	(28,679)	(2,634)	(238,594)
Total deferred tax assets, Net.....	36,549	50,715	304,068
Deferred tax liabilities:			
Depreciation	2,862	2,775	23,810
Deferred gain on sales of property for tax purposes	326	320	2,712
Undistributed earnings of subsidiaries	593	994	4,933
Unrealized gains on securities	22	115	183
Payment of business tax.....	—	232	—
Others	843	512	7,013
Total deferred tax liabilities.....	4,646	4,948	38,651
Net deferred tax assets.....	¥31,903	¥45,767	\$265,417

As of March 31, 2003, the pure frame of the deferred income taxes is contained in the following items of the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Deferred tax assets—current.....	¥ 4,029	¥ 4,712	\$ 33,519
Deferred tax assets—non-current	29,894	42,719	248,702
Deferred tax assets on land revaluation	2,007	2,059	16,697
Deferred tax liabilities—current	17	45	142
Deferred tax liabilities—non-current	4,011	3,678	33,369

The net operating loss will expire from February 28, 2006 to March 31, 2007.

A reconciliation of the Japanese statutory tax rate for the years ended March 31, 2003 and 2002, to the effective rates of income taxes reflected in the accompanying consolidated statements of operations is as follows:

	%	
	2003	2002
Japanese statutory income tax rate	(41.0)%	41.0%
Expenses not deductible for income tax purposes	1.0	4.4
Effect of taxation on dividends	3.8	10.1
Tax benefits not recognized on loss of subsidiaries	7.5	15.5
Unrealized profit	5.5	15.9
Valuation allowance	66.0	—
Others	2.9	(6.4)
Effective income tax rate	45.7%	80.5%

8. SHAREHOLDERS' EQUITY

The Company is subject to the Commercial Code. The Code requires at least 50% of the issue price of new shares to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to capital reserve.

The Code allows for appropriations to be determined based on the total of capital reserve and legal reserve. The amount of total capital reserve and the legal reserve that exceeds 25% common stock can be transferred to other capital surplus and retained earnings.

The Code allows companies to repurchase treasury stock by resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors.

The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, capital reserve or the legal reserve to be reduced, in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits companies to transfer a portion of capital reserve and legal reserve to common stock by resolution of the Board of Directors. The Code also permits companies to transfer a

portion of unappropriated retained earnings, available for dividends, to common stock by resolution of the shareholders.

Annual dividends or interim dividends may be approved by the General Meeting of Shareholders after the end of each fiscal year or declared by the Board of Directors after the end of each first six-month period respectively. In accordance with the Code, these dividends, bonuses to directors and the related appropriation of retained earnings are not reflected in the financial statements at the end of each fiscal year, but are recorded at the time they are approved. However, dividends per share shown in the accompanying statements of operations are included in the year to which they are applicable.

Previously, loss on disposal of treasury stock was charged to income and recorded in the statement of operations. In accordance with the adoption of the "Accounting Standard for Treasury Stock and Reversal of Legal Reserves," loss on disposal of treasury stock is now charged to Capital Surplus and recorded in the balance sheet. The Company issued new shares of common stock in accordance with subsidiary company's exchange of shares. As a result, the number of shares issued and outstanding totaled 13,508,000 and Capital Surplus declined by ¥14,338 million (U.S. \$119,285 thousand).

9. STOCK OPTION PLAN

All qualified employees have relinquished their rights to stock options following the establishment of parent company Nissho Iwai - Nichimen Holdings Corporation.

10. OTHER INCOME (EXPENSES)

Details of Others, net, were as follows:

Years ended March 31,	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Gains (losses) on sale of securities.....	¥ (2,128)	¥ 3,092	¥ 70,864	\$ (17,704)
Gains on transfer of business operations.....	3,086	17,913	—	25,674
Write-down of investment securities.....	(28,652)	(33,383)	(41,683)	(238,369)
Gains (losses) on sale of property and equipment.....	(1,203)	(1,536)	(587)	(10,008)
Losses on disposal of investments in and advances to subsidiaries, affiliates and others.....	(6,884)	(1,398)	(12,506)	(57,271)
Provision for overseas doubtful receivables.....	—	—	—	—
Write-down of real estate held for sale.....	—	—	(3,895)	—
Provision for doubtful receivables.....	—	—	(40,024)	—
Special severance benefit.....	(1,815)	(2,151)	(6,154)	(15,100)
Loss on sale of doubtful receivables from overseas.....	—	—	(4,085)	—
Restructuring loss.....	(9,386)	—	—	(78,087)
Others, net.....	2,957	3,659	(3,209)	24,601
Total.....	¥(44,025)	¥(13,804)	¥(41,279)	\$(366,265)

11. DERIVATIVES TRANSACTIONS

To avoid adverse effect of fluctuations of the market risk associated with financial activities and commodity trading activities, the Company and its consolidated subsidiaries enter into foreign exchange contracts, currency options, swap and various types of interest rate, bond, equity and commodity related forwards, futures and options. The Company and its consolidated subsidiaries utilize these derivative transactions to reduce the risk inherent in their assets and liabilities to be hedged effectively, and these transaction are not likely to have a major impact on the performance of the Company and its consolidated subsidiaries.

In accordance with the Company's internal regulation on derivative transactions, the Finance Division of the Company is responsible for managing market and credit risks of these transactions, and this division manages position limits, credit limits and status of derivative transactions. The Company distributes the credit risks and the dealings are limited to the financial facilities that the credibility by the international provider of equity indices is high. The Company and each consolidated 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 audit 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 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 and liabilities
Commodity-related contracts:	Balance of commodity trading contracts

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

Currency related

Year ended March 31, 2003	Millions of yen			Thousands of U.S. dollars		
	Contract value, etc.	Fair value	Unrealized gains (losses)	Contract value, etc.	Fair value	Unrealized gains (losses)
Forward exchange contracts:						
Selling						
U.S. dollars	¥24,572	¥24,347	¥225	\$204,426	\$202,554	\$1,872
Euro	2,279	2,368	(88)	18,960	19,700	(732)
Other	290	302	(13)	2,413	2,512	(108)
Total.....	¥27,141	¥27,017	¥124	\$225,799	\$224,766	\$1,032
Buying						
U.S. dollars	¥68,123	¥68,320	¥197	\$566,747	\$568,386	\$1,639
Euro	3,320	3,524	204	27,621	29,318	1,697
Other	6,996	6,998	2	58,203	58,220	17
Total.....	¥78,439	¥78,842	¥403	\$652,571	\$655,924	\$3,353

Note: The contract value of the forward exchange contracts presented above exclude those entered into to hedge receivables and payables denominated in foreign currencies which have been translated and are reflected at their corresponding contracted rates in the accompanying consolidated balance sheets.

Interest rate related

Year ended March 31, 2003	Millions of yen			Thousands of U.S. dollars		
	Contract value, etc.	Fair value	Unrealized gains (losses)	Contract value, etc.	Fair value	Unrealized gains (losses)
Interest rate swap agreements:						
Receipt—Fixed rate/Payment—Variable rate.....	¥ 51,640	¥ 862	¥ 862	\$ 429,617	\$ 7,171	\$ 7,171
Receipt—Variable rate/Payment—Fixed rate.....	104,759	(1,645)	(1,645)	871,539	(13,686)	(13,686)
Receipt—Variable rate/Payment—Variable rate	16,895	792	792	140,557	6,589	6,589
Receipt—Fixed rate/Payment—Fixed rate	262	(36)	(36)	2,180	(300)	(300)
Total.....	¥173,556	¥ (27)	¥ (27)	\$1,443,893	\$ (226)	\$ (226)
Interest rate cap agreement:						
Buying.....	¥ 300	¥ —	¥ —	\$ 2,496	\$ —	\$ —
.....	<0>	<0>	0	<0>	<0>	0

Notes: 1. The figures in < > represent the premiums for interest rate cap agreements.

2. The contract value of the interest rate swap agreements presented above excludes those entered into for hedging purposes.

Commodity related

Year ended March 31, 2003	Millions of yen			Thousands of U.S. dollars		
	Contract value, etc.	Fair value	Unrealized gains (losses)	Contract value, etc.	Fair value	Unrealized gains (losses)
Futures trading:						
Metals						
Selling	¥ 5,223	¥ 5,362	¥(138)	\$43,453	\$ 44,609	\$(1,148)
Buying.....	7,941	8,217	276	66,065	68,361	2,296
Foods						
Selling.....	¥ 4,405	¥ 4,266	¥ 138	\$36,647	\$ 35,491	\$ 1,148
Buying.....	3,993	4,016	23	33,220	33,411	191
Total						
Selling.....	¥ 9,628	¥ 9,628	¥ 0	\$80,100	\$ 80,100	\$ 0
Buying.....	11,934	12,233	299	99,285	101,772	2,488
Forwards trading:						
Metals						
Selling.....	¥ 3,675	¥ 3,963	¥(288)	\$30,574	\$ 32,970	\$(2,396)
Buying.....	2,331	2,452	120	19,393	20,399	998
Total						
Selling.....	¥ 3,675	¥ 3,963	¥(288)	\$30,574	\$ 32,970	\$(2,396)
Buying.....	2,331	2,452	120	19,393	20,399	998

Note: The contract value of the commodity futures and forwards trading presented above excludes those entered into for hedging purposes.

Currency related

Year ended March 31, 2002	Millions of yen			Thousands of U.S. dollars		
	Contract value, etc.	Fair value	Unrealized gains (losses)	Contract value, etc.	Fair value	Unrealized gains (losses)
Forward exchange contracts:						
Selling						
U.S. dollars	¥24,955	¥26,038	¥(1,083)	\$187,280	\$195,408	\$ (8,128)
Euro	3,977	4,185	(208)	29,846	31,407	(1,561)
Other	163	169	(6)	1,223	1,268	(45)
Total.....	¥29,095	¥30,392	¥(1,297)	\$218,349	\$228,083	\$ (9,734)
Buying						
U.S. dollars	¥66,255	¥67,345	¥ 1,090	\$497,223	\$505,403	\$ 8,180
Euro	5,888	6,236	348	44,188	46,799	2,611
Other	1,167	1,218	51	8,758	9,141	383
Total.....	¥73,310	¥74,799	¥ 1,489	\$550,169	\$561,343	\$11,174
Currency option agreements:						
Buying						
U.S. dollars						
Call.....	¥ 583	¥ —	¥ —	\$ 4,375	\$ —	\$ —
	<4>	<0>	(4)	<30>	<0>	(30)

Notes: 1. The figures in < > represent option premiums for currency options.

2. The contract value of the forward exchange contracts and currency options presented above exclude those entered into to hedge receivables and payables denominated in foreign currencies which have been translated and are reflected at their corresponding contracted rates in the accompanying consolidated balance sheets.

Interest rate related

Year ended March 31, 2002	Millions of yen			Thousands of U.S. dollars		
	Contract value, etc.	Fair value	Unrealized gains (losses)	Contract value, etc.	Fair value	Unrealized gains (losses)
Interest rate swap agreements:						
Receipt—Fixed rate/Payment—Variable rate.....	¥ 65,855	¥1,355	¥1,355	\$ 494,221	\$10,168	\$10,168
Receipt—Variable rate/Payment—Fixed rate.....	83,341	(203)	(203)	625,449	(1,523)	(1,523)
Receipt—Variable rate/Payment—Variable rate	20,247	285	285	151,947	2,139	2,139
Receipt—Fixed rate/Payment—Fixed rate.....	674	(157)	(157)	5,058	(1,178)	(1,178)
Total.....	¥170,117	¥1,280	¥1,280	\$1,276,675	\$ 9,606	\$ 9,606
Interest rate cap agreement:						
Buying.....	¥ 2,639	¥ —	¥ —	\$ 19,805	\$ —	\$ —
	<51>	<53>	2	<383>	<398>	15

Notes: 1. The figures in < > represent the premiums for interest rate cap agreements.

2. The contract value of the interest rate swap agreements presented above excludes those entered into for hedging purposes.

Commodity related

Year ended March 31, 2002	Millions of yen			Thousands of U.S. dollars		
	Contract value, etc.	Fair value	Unrealized gains (losses)	Contract value, etc.	Fair value	Unrealized gains (losses)
Futures trading:						
Metals						
Selling	¥3,542	¥ 3,772	¥(230)	\$26,582	\$28,308	\$(1,726)
Buying.....	5,669	6,429	760	42,544	48,248	5,704
Foods						
Selling	¥4,571	¥ 4,648	¥ (77)	\$34,304	\$34,882	\$ (578)
Buying.....	3,538	3,765	227	26,552	28,255	1,703
Total						
Selling	¥8,113	¥ 8,420	¥(307)	\$60,886	\$63,190	\$(2,304)
Buying.....	9,207	10,194	987	69,096	76,503	7,407
Forwards trading:						
Metals						
Selling	¥4,012	¥ 4,633	¥(621)	\$30,109	\$34,769	\$(4,660)
Buying.....	1,891	2,004	113	14,191	15,039	848
Total						
Selling	¥4,012	¥ 4,633	¥(621)	\$30,109	\$34,769	\$(4,660)
Buying.....	1,891	2,004	113	14,191	15,039	848

Note: The contract value of the commodity futures and forwards trading presented above excludes those entered into for hedging purposes.

12. CONTINGENT LIABILITIES

In accordance with customary trade practices, the Company and certain of its consolidated subsidiaries guarantee, severally or jointly with others, the indebtedness of certain of their customers, suppliers and unconsolidated subsidiaries and affiliates, as well as the performance of contracts by such companies. The Company

and its consolidated subsidiaries are also contingently liable for trade notes receivable discounted with banks or endorsed to suppliers.

The details of the above-mentioned items were as follows:

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
For repurchase of notes discounted and endorsed	¥35,030	¥21,905	\$291,431
For guarantee of indebtedness relating to:			
Unconsolidated subsidiaries and affiliates	¥ 5,532	¥ 8,004	\$ 46,023
Others	29,986	39,437	249,468
Total.....	¥35,518	¥47,441	\$295,491

13. LEASE TRANSACTIONS

■ Finance leases

Finance lease transactions without transfer of ownership for the years ended March 31, 2003, 2002 and 2001 were as follows:

(1) As lessee:

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Acquisition cost of equipment, fixtures and others.....	¥6,429	¥4,319	¥4,766	\$53,486
Accumulated depreciation	3,558	2,439	2,697	29,601
Book value	2,871	1,880	2,069	23,885
Future lease payments:				
Within one year	1,134	829	1,012	9,434
More than one year	1,875	1,358	1,512	15,599
Total.....	¥3,009	¥2,187	¥2,524	\$25,033
Annual lease payments	¥1,190	¥1,023	¥1,065	\$ 9,900
Depreciation expenses.....	1,190	1,023	1,065	9,900

*Acquisition cost is fully depreciated by the straight-line method based on the lease period.

(2) As lessor:

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Acquisition cost of leased assets	¥459	¥470	¥1,760	\$3,819
Accumulated depreciation	92	17	821	765
Book value	368	453	939	3,062
Future lease payments receivable:				
Within one year	167	202	442	1,389
More than one year	461	630	941	3,835
Total.....	¥628	¥832	¥1,383	\$5,224
Annual lease payments received	¥102	¥123	¥ 346	\$ 849
Depreciation expenses on the leased assets	84	93	280	699

■ Noncancelable operating leases

Finance lease payments for noncancelable operating lease transactions as of March 31, 2003, 2002 and 2001 were as follows:

As lessee:

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
Future lease payments:				
Within one year	¥2	¥ 4	¥ 7	\$17
More than one year	4	13	14	33
Total.....	¥6	¥17	¥21	\$50

14. UNREALIZED APPRECIATION (DEPRECIATION) ON MARKETABLE SECURITIES

Subsidiaries in the United States adopt Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires that debt and equity securities be classified within trading, available-for-sale or held-to-maturity portfolios. The subsidiaries have classified all of their marketable debt and equity securities as available-for-sale. Unrealized gains and losses derived from the available-for-sale portfolio, which is carried at fair value, were

included in Retained Earnings for the year ended March 31, 2001. As a result of adopting the mark-to-market method on Other Securities under the Accounting Standard for Financial Instruments (effective from April 1, 2000); however, these unrealized gains and losses were reclassified from Retained Earnings to Net Unrealized Losses on Securities in Shareholders' Equity for the year ended March 31, 2003.

15. MINIMUM PENSION LIABILITY ADJUSTMENT

In the event the balance of pension asset is less than the pension liabilities for companies adopting generally accepted accounting principle in the United States (US-GAAP) included in the scope of consolidation, an adjustment was made to stockholders' equity in

accordance with US-GAAP [Statement of financial accounting Standards No.87]. The amount of the adjustment is ¥198 million (U.S.\$1,647 thousand).

16. SEGMENT INFORMATION

In April 2002, to optimize its organization in line with the rebuilding of its business portfolio, Nichimen reorganized its eight internal business companies into six companies. The Company also established a new Consumers Business Department to develop new businesses directed at wholesale and consumer markets.

Furthermore, due to the transfer of the chemical business to equity method subsidiary Global Chemical Holdings, Inc., in September 2002, the Chemicals Company was reestablished as the Chemicals Division in October 2002. Hence, as of the term under review, the Company's business segments have been reorganized from nine to six.

• Due to the reestablishment of the Chemicals Company as the Chemicals Division, the two product categories of "Plastics" and

"Chemicals & Energy" have been integrated into "Plastics & Chemicals."

• Due to the reorganization of Nichimen's internal companies, the "Construction" and "Forest Products" categories have been integrated into "Construction & Forest Products."

• Due to the reorganization of Nichimen's internal companies, the "Machinery" and "Metals" categories have been integrated into "Machinery & Metals."

• The newly established Consumers Business Department is listed under "Others."

As a result of the above change, figures for the previous period have been modified to reflect the categories used for the period under the review.

■ Industry segments

The industry segment information for the years ended March 31, 2003 and 2002 was as follows:

Millions of yen									
Year ended March 31, 2003	Plastics & Chemicals	Textiles	Foodstuffs	Construction & Forest Products	Machinery & Metals	Others	Total	Elimination	Consolidated
Net sales:									
Outside customers...	¥960,813	¥159,553	¥182,609	¥176,860	¥352,996	¥55,296	¥1,888,127	¥ —	¥1,888,127
Inter-area.....	1,754	68	2,264	181	1,450	1,174	6,891	(6,891)	—
Total.....	¥962,567	¥159,621	¥184,873	¥177,041	¥354,446	¥56,470	¥1,895,018	¥ (6,891)	¥1,888,127
Cost of sales and									
Selling, general and administrative expenses	¥957,718	¥154,651	¥184,540	¥165,487	¥352,088	¥57,968	¥1,872,452	¥ (5,892)	¥1,866,560
Operating income	¥ 4,848	¥ 4,970	¥ 332	¥ 11,555	¥ 2,359	¥ (1,498)	¥ 22,566	¥ (999)	¥ 21,567
Total assets	¥245,721	¥ 98,783	¥ 41,169	¥213,791	¥265,108	¥97,276	¥ 961,848	¥212,786	¥1,174,634
Depreciation and									
Amortization	886	519	170	279	3,334	492	5,680	—	5,680
Capital expenditures.....	2,033	764	276	1,347	2,105	515	7,040	—	7,040

Thousands of U.S. dollars

Year ended March 31, 2003	Plastics & Chemicals	Textiles	Foodstuffs	Construction & Forest Products	Machinery & Metals	Others	Total	Elimination	Consolidated
Net sales:									
Outside customers...	\$7,993,453	\$1,327,396	\$1,519,210	\$1,471,381	\$2,936,739	\$460,033	\$15,708,211	\$ —	\$15,708,211
Inter-area.....	14,592	566	18,835	1,506	12,063	9,767	57,329	(57,329)	—
Total	\$8,008,045	\$1,327,962	\$1,538,045	\$1,472,887	\$2,948,802	\$469,800	\$15,765,541	\$ (57,329)	\$15,708,211
Cost of sales and Selling, general and administrative expenses									
	\$7,967,704	\$1,286,614	\$1,535,275	\$1,376,764	\$2,929,185	\$482,263	\$15,577,804	\$ (49,018)	\$15,528,785
Operating income	\$ 40,333	\$ 41,348	\$ 2,762	\$ 96,131	\$ 19,626	\$ (12,463)	\$ 187,737	\$ (8,311)	\$ 179,426
Total assets	\$2,044,268	\$ 821,822	\$ 342,504	\$1,778,627	\$2,205,557	\$809,285	\$ 8,002,063	\$1,770,266	\$ 9,772,329
Depreciation and									
Amortization	7,371	4,318	1,414	2,321	27,737	4,093	47,254	—	47,254
Capital expenditures.....	16,913	6,356	2,296	11,206	17,512	4,285	58,568	—	58,568

Millions of yen

Year ended March 31, 2002	Plastics & Chemicals	Textiles	Foodstuffs	Construction & Forest Products	Machinery & Metals	Others	Total	Elimination	Consolidated
Net sales:									
Outside customers...	¥987,594	¥182,276	¥227,025	¥191,403	¥430,724	¥36,218	¥2,055,240	¥ —	¥2,055,240
Inter-area.....	4,889	18	9,726	262	4,255	2	19,152	(19,152)	—
Total	¥992,483	¥182,294	¥236,751	¥191,665	¥434,979	¥36,220	¥2,074,392	¥(19,152)	¥2,055,240
Cost of sales and Selling, general and administrative expenses									
	¥985,409	¥174,695	¥234,765	¥175,986	¥433,733	¥36,139	¥2,040,727	¥(18,541)	¥2,022,186
Operating income	¥ 7,074	¥ 7,599	¥ 1,986	¥ 15,679	¥ 1,246	¥ 81	¥ 33,665	¥ (611)	¥ 33,054
Total assets	¥310,859	¥109,608	¥ 48,488	¥219,115	¥346,994	¥80,459	¥1,115,523	¥288,836	¥1,404,359
Depreciation and									
Amortization	1,302	441	133	233	3,470	304	5,883	—	5,883
Capital expenditures.....	824	607	97	1,777	2,230	436	5,971	—	5,971

Millions of yen

Year ended March 31, 2001	Plastics & Chemicals	Textiles	Foodstuffs	Construction & Forest Products	Machinery & Metals	Others	Total	Elimination	Consolidated
Net sales:									
Outside customers...	¥1,022,581	¥212,530	¥318,895	¥197,110	¥555,282	¥112,943	¥2,419,341	¥ —	¥2,419,341
Inter-area.....	5,674	310	279	258	4,160	25	10,706	(10,706)	—
Total	¥1,028,255	¥212,840	¥319,174	¥197,368	¥559,442	¥112,968	¥2,430,047	¥(10,706)	¥2,419,341
Cost of sales and Selling, general and administrative expenses									
	¥1,020,115	¥205,429	¥316,896	¥191,483	¥561,103	¥111,346	¥2,406,372	¥(10,111)	¥2,396,261
Operating income	¥ 8,139	¥ 7,411	¥ 2,278	¥ 5,885	¥ (1,661)	¥ 1,622	¥ 23,674	¥ (595)	¥ 23,079
Total assets	¥ 330,574	¥137,588	¥ 57,778	¥238,776	¥379,276	¥116,073	¥1,260,065	¥403,858	¥1,663,923
Depreciation and									
Amortization	1,837	348	114	354	2,466	499	5,618	—	5,618
Capital expenditures.....	2,628	429	151	1,261	8,394	605	13,468	—	13,468

■ Geographic segments

Trading transactions that are attributed to areas based on the locations of the assets producing revenues and long-lived assets for the years ended March 31, 2003 and 2002 were as follows:

Millions of yen

Year ended March 31, 2003	Japan	North & South America	Europe, Africa & Middle East	Asia	Oceania	Total	Elimination	Consolidated
Net sales:								
Outside customers	¥1,702,439	¥ 65,980	¥37,475	¥75,829	¥ 6,404	¥1,888,127	¥ —	¥1,888,127
Inter-area	30,637	40,582	6,201	19,120	5,184	101,724	(101,724)	—
Total	¥1,733,076	¥106,562	¥43,676	¥94,949	¥11,588	¥1,989,851	¥(101,724)	¥1,888,127
Cost of sales and Selling, general and administrative expenses								
	¥1,712,501	¥106,892	¥43,144	¥93,445	¥11,603	¥1,967,585	¥(101,025)	¥1,866,560
Operating income	20,575	(330)	532	1,504	(15)	22,266	(699)	21,567
Total assets	¥ 912,562	¥ 69,726	¥34,132	¥44,070	¥ 1,101	¥1,061,591	¥ 113,043	¥1,174,634

Thousands of U.S. dollars

Year ended March 31, 2003	Japan	North & South America	Europe, Africa & Middle East	Asia	Oceania	Total	Elimination	Consolidated
Net sales:								
Outside customers	\$14,163,386	\$548,918	\$311,772	\$630,857	\$53,278	\$15,708,211	\$ —	\$15,708,211
Inter-area	254,884	337,621	51,589	159,068	43,128	846,290	(846,290)	—
Total	\$14,418,270	\$886,539	\$363,361	\$789,925	\$96,406	\$16,554,501	\$(846,290)	\$15,708,211
Cost of sales and Selling, general and administrative expenses								
	\$14,247,097	\$889,284	\$358,935	\$777,413	\$96,531	\$16,369,260	\$(840,475)	\$15,528,785
Operating income	171,173	(2,745)	4,426	12,512	(125)	185,241	(5,815)	179,426
Total assets	\$ 7,592,030	\$580,083	\$283,960	\$366,639	\$ 9,160	\$ 8,831,872	\$ 940,457	\$ 9,772,329

Millions of yen

Year ended March 31, 2002	Japan	North & South America	Europe, Africa & Middle East	Asia	Oceania	Total	Elimination	Consolidated
Net sales:								
Outside customers	¥1,834,443	¥ 84,068	¥38,541	¥ 88,289	¥ 9,899	¥2,055,240	¥ —	¥2,055,240
Inter-area	51,761	44,506	8,007	24,291	4,756	133,321	(133,321)	—
Total	¥1,886,204	¥128,574	¥46,548	¥112,580	¥14,655	¥2,188,561	¥(133,321)	¥2,055,240
Cost of sales and Selling, general and administrative expenses								
	¥1,853,646	¥128,125	¥45,798	¥111,976	¥14,644	¥2,154,189	¥(132,003)	¥2,022,186
Operating income	32,558	449	750	604	11	34,372	(1,318)	33,054
Total assets	¥1,059,496	¥ 83,680	¥34,108	¥ 36,969	¥ 1,272	¥1,215,525	¥ 188,835	¥1,404,359

Millions of yen

Year ended March 31, 2001	Japan	North & South America	Europe, Africa & Middle East	Asia	Oceania	Total	Elimination	Consolidated
Net sales:								
Outside customers	¥2,160,520	¥104,180	¥53,143	¥ 93,809	¥ 7,689	¥2,419,341	¥ —	¥2,419,341
Inter-area	104,843	61,871	8,191	66,583	3,206	244,694	(244,694)	—
Total	¥2,265,363	¥166,051	¥61,334	¥160,392	¥10,895	¥2,664,035	¥(244,694)	¥2,419,341
Cost of sales and Selling, general and administrative expenses								
	¥2,242,114	¥165,975	¥61,319	¥160,088	¥10,985	¥2,640,481	¥(244,219)	¥2,396,262
Operating income	23,249	76	15	304	(90)	23,554	(475)	23,079
Total assets	¥1,136,523	¥ 80,884	¥47,099	¥ 34,347	¥ 1,222	¥1,300,075	¥ 363,848	¥1,663,923

■ Overseas trading transactions

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

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	2003
North and South America.....	¥ 86,531	¥ 515,760	¥ 545,267	\$ 719,892
Europe, Africa and Middle East	111,241	197,746	259,489	925,466
Asia.....	231,201	290,441	428,810	1,923,469
Oceania	4,966	6,465	4,209	41,314
Total.....	¥433,939	¥1,010,412	¥1,237,775	\$3,610,141

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

North and South America.....U.S.A. and Mexico
 Europe, Africa and Middle EastU.K. and U.A.E.
 Asia.....Singapore and Indonesia
 OceaniaAustralia and New Zealand

Overseas trading transactions include the total sales of the Company and consolidated subsidiaries that occurred outside of Japan.

17. LAND REVALUATION DIFFERENCE

For some of the subsidiaries, revaluation of land for business was carried out in accordance with the Law concerning Revaluation of Land and on the basis of the amendment to the Law on March 31, 2002.

With respect to the evaluation difference, amounts equivalent to taxes related to the evaluation difference were included in "Deferred tax assets on land revaluation." The difference between the previous book value and the revalued amount net of the

deferred tax assets was presented as "Land revaluation difference" in Shareholders' Equity.

- Method of revaluation: Calculations were made in accordance with the Law concerning Revaluation of Land.
- Date of revaluation: March 31, 2002
- The difference between the market value as of March 31, 2003 and book value of land after revaluation: (¥775) million.

18. SUBSEQUENT EVENT

The Company implemented a transfer of its shares on April 1, 2003 in accordance with the resolution passed at an extraordinary meeting of shareholders held on February 25, 2003 to establish a joint-holding company with Nissho Iwai Corporation. In addition, the Company resolved at a Board of Directors meeting held on April 25, 2003 to issue new shares to Nissho Iwai - Nichimen Holdings Corporation in return for the issue of common stock by way of third party allotment. In accordance with a resolution of the Board of Directors on April 25, 2003, the Company issued new common stock to its parent company Nissho Iwai - Nichimen

Holdings Corporation in exchange for the issue of common stock by way of third party allotment. Details are as follows:

- Type of new stock: 425,600,000 shares of common stock
- Issue amount: ¥106.4 billion (US\$885,191 thousand)
- Issue date: May 15, 2003
- Type of new stock: 14,440,000 shares of common stock
- Issue amount: ¥3.61 billion (US\$30,033 thousand)
- Issue date: May 17, 2003



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Osaka Kokusai Building 27F
3-13, Azuchi-Machi 2-chome,
Chuo-ku, Osaka 541-0052, Japan
Phone: +81-6-4964-6655 Facsimile: +81-6-6263-0710

The Board of Directors
Nichimen Corporation:

We have audited the accompanying consolidated balance sheets of Nichimen Corporation and consolidated 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, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nichimen Corporation and consolidated subsidiaries at March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2003 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Osaka, Japan
June 26, 2003

Supplementary Information

Information regarding the transfer of shares to Nissho Iwai - Nichimen Holdings Corporation and the issue of new shares has been disclosed as a material subsequent event.

A handwritten signature in black ink that reads "Shin Nihon, Co." in a cursive, flowing script.

(Certified Public Accountants)

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Nichimen Corporation and its consolidated subsidiaries under Japanese accounting principles and practices.

DIRECTORS, CORPORATE AUDITORS, AND EXECUTIVE OFFICERS

As of July 1, 2003

BOARD OF DIRECTORS



YUKINORI FUJISAKI

Senior Managing Director

Senior Managing Executive Officer
President of the Textiles &
Consumers Business Company

HIROSHI TAKEDA

President & CEO

AKIO DOBASHI

Senior Managing Director (CIO)

Senior Managing Executive Officer
President of the Construction &
Forest Products Company

KENJI OKAZAKI

Senior Managing Director (CFO)

Senior Managing Executive Officer

CORPORATE AUDITORS

SHUN-ICHI NAKAO

MASARU NAKATANI

YOSHIAKI ISHIDA*

**Outside Corporate Auditor*

EXECUTIVE OFFICERS

MANAGING EXECUTIVE OFFICERS



KATSUYUKI SUMIDA
President of the Plastics & Chemicals Company



YASUSHI HOSHIKA
CEO, Asia & Oceania



MITSUO MUTO
CEO, North, Central & South America



KEISUKE ISHIHARA
CEO, China & Hong Kong

EXECUTIVE OFFICERS



MASANORI SUMITA



MAMORU SATO
Vice President of the Construction & Forest Products Company



JOJI SUZUKI
CEO, Europe, Africa & Middle East



YOSHIMI OTA
President of the Machinery & Metals Company



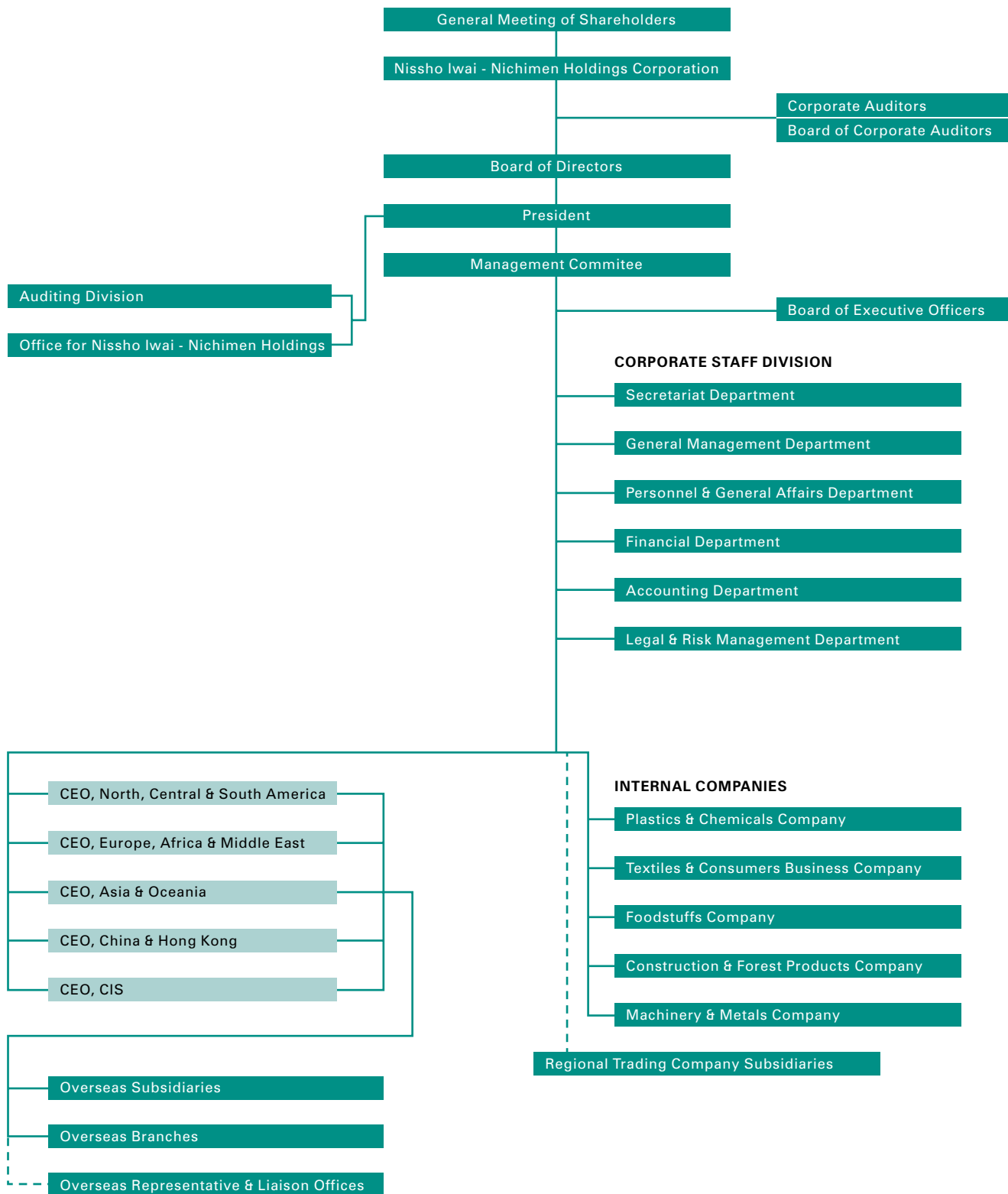
KENTARO OKABE
President of the Foodstuffs Company



YUKIO MIYAJIMA

ORGANIZATION

As of July 1, 2003



CORPORATE DATA

As of July 1, 2003

COMPANY NAME

Nichimen Corporation

HEAD OFFICE

Tokyo Head Office

1-23, Shiba 4-chome, Minato-ku, Tokyo 108-8405, Japan
P.O. Box 71, Tokyo 108-8691, Japan

Osaka Head Office

2-2, Nakanoshima 2-chome, Kita-ku, Osaka 530-8691, Japan
C.P.O. Box 18, Osaka 530-8691, Japan

DATE ESTABLISHED

November 10, 1892

PRESIDENT & CEO

Hiroshi Takeda

PAID-IN CAPITAL

107,184 million yen (As of May 28, 2003)

CATEGORY OF BUSINESS

General Trading Company

NUMBER OF EMPLOYEES

1,012 (Non-consolidated basis; as of March 31, 2003)

SHAREHOLDER

Nissho Iwai - Nichimen Holdings Corporation

Additional copies of this annual report and other information may be obtained from:
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Nichimen Corporation

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