



1998

A N N U A L R E P O R T

NISSHO IWA I

| | Millions of yen | | | Thousands of U.S. dollars |
|--------------------------------------|-----------------|------------|------------|---------------------------|
| | 1998 | 1997 | 1996 | 1998 |
| For the years ended March 31: | | | | |
| Total trading transactions | ¥10,052,747 | ¥8,889,419 | ¥9,447,995 | \$76,157,174 |
| Operating income..... | 59,675 | 48,187 | 39,900 | 452,083 |
| Net income (loss) | 3,038 | 15,421 | (25,046) | 23,015 |
| As of March 31: | | | | |
| Total assets | ¥ 5,440,638 | ¥5,414,490 | ¥5,002,657 | \$41,216,955 |
| Shareholders' equity | 269,310 | 270,937 | 213,806 | 2,040,227 |
| | Yen | | | U.S. cents |
| Per-share amounts: | | | | |
| Net income (loss) | ¥ 3.47 | ¥ 18.38 | ¥ (31.94) | 2.63¢ |
| Cash dividends..... | 5.00 | 5.00 | 5.00 | 3.79 |

Note: Yen amounts have been translated for convenience only, at ¥132=US\$1.

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Over the past three years, Nissho Iwai has implemented a management plan to build a solid and sustainable profit structure. The fruits of these efforts can be seen in recent performance: operating income has marked record highs for two consecutive years, achieving success beyond our initial targets. In the current fiscal year, we are moving forward with measures to bolster our financial position and revitalize our management systems and decision-making processes to keep pace with rapid change in the global marketplace.

Performance

During the fiscal year ended March 31, 1998, total trading transactions increased 13.1% to ¥10,053 billion. By type of trade, increased activity in machinery led to a 17.4% rise in export transactions and an 8.7% increase in imports. Offshore transactions climbed 26.0%, supported by increased activity in machinery, energy and general commodities. Domestic transactions increased 6.7%, also owing to gains in machinery and general commodities. By type of commodity, machinery and construction climbed 24.1%; energy, 21.7%; and lumber products, general commodities and chemical products, 13.9%. Metals advanced 5.8% and textiles increased 1.4%. Foodstuffs was the only type of commodity to record a decline.

We continued to strengthen our position in strategically important business areas. To take advantage of opportunities arising from “Big Bang” financial reform in Japan, Nissho Iwai became the first trading company to establish securities and investment advisory subsidiaries. In the high-growth new media markets, our joint venture NIFTY Corporation exceeded 2.5 million subscribers to solidify its position as the largest Internet service provider in Japan, and PerfecTV Corp., Japan’s first

digital communications satellite broadcaster in which Nissho Iwai is a major shareholder, recorded substantial subscriber growth during the fiscal year. In May 1998, PerfecTV merged with Japan Sky Broadcasting Co., Ltd. (JSkyB) to launch a combined service under the new name Sky PerfecTV, which boasted 709,000 subscribers as of June 1998.

Operating income climbed 23.8% to ¥59.7 billion supported by strong contributions from aircraft, automobile and domestic condominium sales. However, negative factors such as foreign exchange losses at affiliated companies in Asia led to an 80.3% decrease in net income to ¥3.0 billion.

Challenge

Technological innovation and deregulation are resulting in increasingly seamless markets and borderless economic activity. To realize the full benefits of this globalization, it is important to ensure maximum utilization of the world’s natural and intellectual resources. As a *sogo shosha*, or general trading company, with global reach and broad-based expertise, Nissho Iwai has a considerable role to play in this challenging environment.

Nissho Iwai has achieved record-high operating income for two consecutive fiscal years and has succeeded in creating a more profitable operating structure. Amid steadily rising profitability, I believe the time is right to implement forward-looking initiatives to ensure that Nissho Iwai will remain a responsive and dynamic enterprise able to meet the diverse needs of the next century.

A sound financial position is essential to the global activities of the Nissho Iwai Group. In September 1998, the Board of Directors approved a plan for taking decisive action to substantially reduce underperforming financial assets, including the devaluation of short-term trust funds and writing off



receivables from NI Finance Corp., a financing subsidiary. Although we expect this decision to result in an extraordinary charge of approximately ¥166 billion in the current fiscal year, we are confident that a streamlined balance sheet will ultimately result in higher returns, a lower cost of capital and a greater ability to seize opportunities in markets throughout the world.

In addition to building a stronger financial position, our key challenge is to effectively harness the strengths of our global network and substantial base in human resources. In October 1998, we launched a sweeping organizational reform both in Japan and overseas. Key elements are the creation of four Executive Director positions to effectively oversee and coordinate global strategies, the introduction of a leaner divisional structure and the creation of a more flexible and rapid decision-making process. In particular, I believe the establishment of

the Executive Director positions to oversee Group-wide strategy will substantially improve our ability to respond, compete and prosper in a world characterized by relentless change.

The following section will discuss more in detail our management reform plan.

I am determined to redouble my efforts to make Nissho Iwai more adaptable to growth and more valuable to shareholders. I would like to thank our shareholders for their continued support of our corporation.

A handwritten signature in black ink, appearing to read "Masatake Kusamichi".

Masatake Kusamichi
President and Chief Executive Officer
October 1998

Revitalizing Our Management

The Nissho Iwai Group comprises 660 domestic and overseas subsidiaries and affiliates with operations spanning a broad range of industries throughout the world. Comprehensive capabilities, extensive resources and a global network have supported growth and improved profitability in recent years. However, making full use of such an extensive organization requires continuous innovation in management systems and processes. In October 1998, Nissho Iwai introduced a major management reform plan.

Nissho Iwai aims to be a company that meets the needs of stakeholders throughout the world, and the goal of the new reform plan is to ensure that the Nissho Iwai Group continues to respond effectively to changes in the global economy while creating value for investors, customers and employees as a premier *sogo shosha*.

Although management reforms are underway in a wide range of areas, the following three points are major components of the plan: 1) establishment of Executive Director positions to reinforce the top executive function; 2) reorganization of the domestic and overseas management structure; and 3) strengthening decision-making processes and revitalizing company systems.

ent Systems



President
Masatake Kusamichi



Executive Vice President
Tatsuro Okada



Vice Chairman
Matamitsu Goto



Executive Vice President
Masayoshi Toriumi

(1) Establishment of Executive Director Positions

Executive Director positions, filled by the President of Nissho Iwai and three other executives, form the top level of the new management structure. These positions were created to raise the combined power of Nissho Iwai and its subsidiaries and affiliates operating worldwide through more integrated and cohesive development of Group strategies.

The Executive Directors are responsible for the following: 1) formulation and implementation of key strategies and policies; 2) the effective distribution of

business resources to support growth and profitability; and 3) comprehensive financial strategies.

With the exception of the President, executive board members previously held the dual positions of managers of Company-wide affairs and executives responsible for profits in their respective groups. The new system clearly delineates the difference between these two roles and firmly separates the executive function, allowing the Executive Directors to focus on Company-wide management issues.

(2) Reorganization of the Domestic and Overseas Management Structure

Organization in Japan:

To maximize Company-wide profitability, we reorganized operational divisions, streamlining the organization from eight groups and 28 divisions to six groups and 20 divisions. Through the new structure, we aim to achieve flexible staff deployment, effective human resource development and aggressive business expansion. In addition, we proceeded with adjustments to further enhance profitability guided by the following four core concepts: 1) creating an optimal business portfolio; 2) strengthening management on a consolidated basis; 3) bolstering activities of overseas businesses; and 4) practicing thorough risk management.

We also reorganized and streamlined administrative divisions for more effective support of operational divisions and the promotion of Company-wide management policies through heightened organizational efficiency, enhanced functions and strengthened risk management. Specifically, we transferred logistics, transportation and distribution

from administrative departments into the new Logistics Division, which is part of the operational organization. We are stepping up marketing activities in this field, which we believe has potential for long-term growth. We also transferred the insurance department into the new Precious Metals & Insurance Division, and are promoting a variety of businesses in the insurance sector.

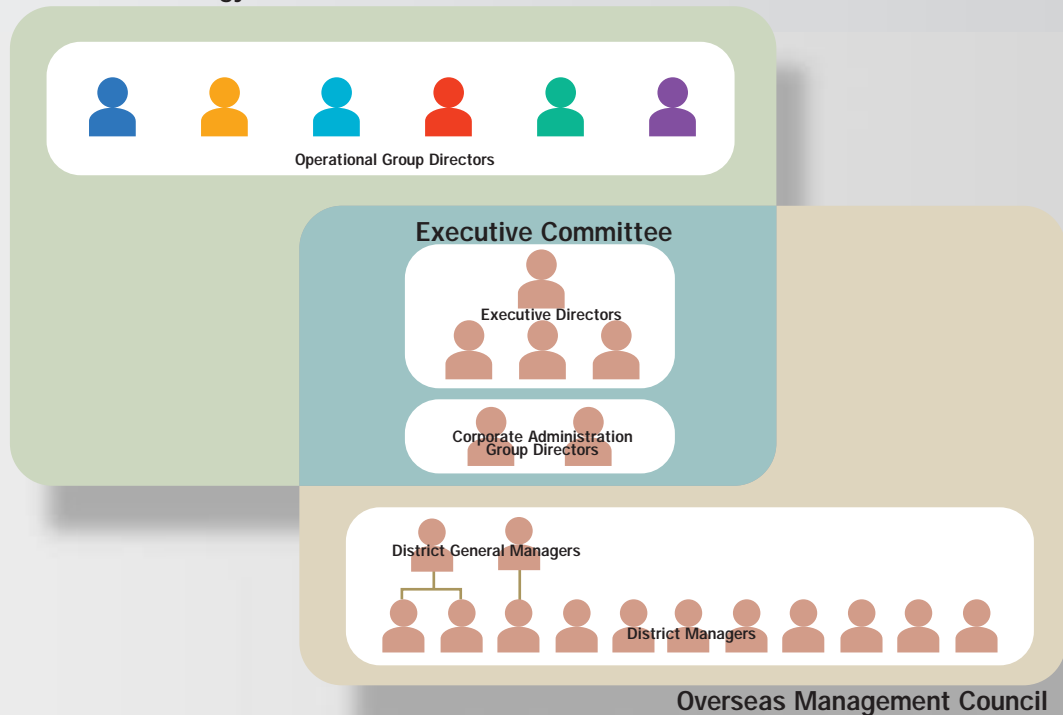
Overseas Management Structure:

Since 1991, overseas activities have been organized around four regions under the supervision of four general managers. The new structure is founded on two regions—the Americas, which is overseen from New York, and Europe and Africa, which is overseen from the regional headquarters in London. In addition, there are eight districts, representing markets with distinct and diverse characteristics, supervised by district managers and under the direct supervision of the head office in Japan.

The new overseas management structure is aimed at achieving Nissho Iwai's corporate vision of aggressively responding to the needs of stakeholders around the world.



Business Strategy Council



(3) Strengthening Decision-Making Processes and Revitalizing Company Systems

The upper-level decision-making process has been restructured to ensure that Nissho Iwai can fully capitalize on its comprehensive strengths as a *sogo shosha*. The following three executive groups are clearly defined functions in the strategic decision-making process.

The Executive Committee makes decisions on general management direction and policy from a Company and Group-wide perspective. The Committee is composed of six members: the President and three other Executive Directors plus two executives responsible for corporate administration.

Business strategy is the responsibility of the newly formed Business Strategy Council, composed of Executive Committee members and each operational group director. The Council conducts information exchanges and discussions on general business strategies, including measures to raise profitability, strengthen risk management and craft business tactics for each operational group.

The new Overseas Management Council was formed to strengthen overseas strategies. The Council will facilitate discussions among overseas general managers, district managers and the Executive Committee on such issues as regional policies and strategies for overseas affiliates.

Conclusion

During the three-year period from April 1995 to March 1998, we implemented our "Challenge 98" management plan, achieving operating success that far exceeded our targets. Following the reforms taking place in the current term, April 1999 will mark the beginning of a new three-year plan. We believe that the three points of management reform outlined above will achieve substantial results and set the stage for a new and more dynamic management style in the 21st century.

Overview of Nissho Iwai

Metals Group

- Steel Products Division
- Wire Rod & Speciality Steel Division
- Ferrous Materials & Coal Division
- Non-Ferrous Metal Division

Project & Contractor Business Group

- Project Planning & Promotion Office
- Energy & Chemical Project Division
- Infrastructure Project Division
- Industrial System Division
- Construction & Urban Development Division

Aerospace & Communication's Group

- Project Planning & Promotion Office
- Information Business Division
- Automotive Division
- Marine & Transportation Systems Division
- Aerospace Division

Energy & Chemicals Group

- Energy Division
- Chemicals Division

Consumer Products Group

- Housing Materials & General Merchandise Division
- Foods Division
- Textile Division
- Logistics Division

Financial Products & Precious Metals Group

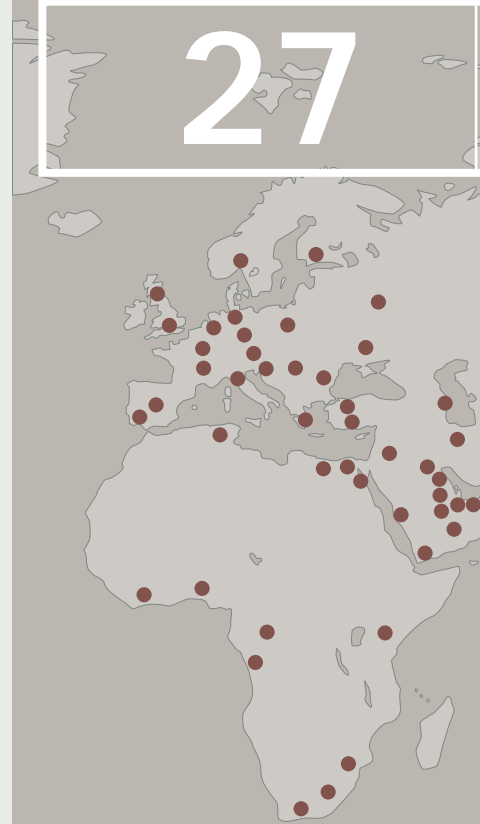
- Financial Products Division
- Precious Metals & Insurance Division

Others

EUROPE AND AFRICA

Offices: Total 194

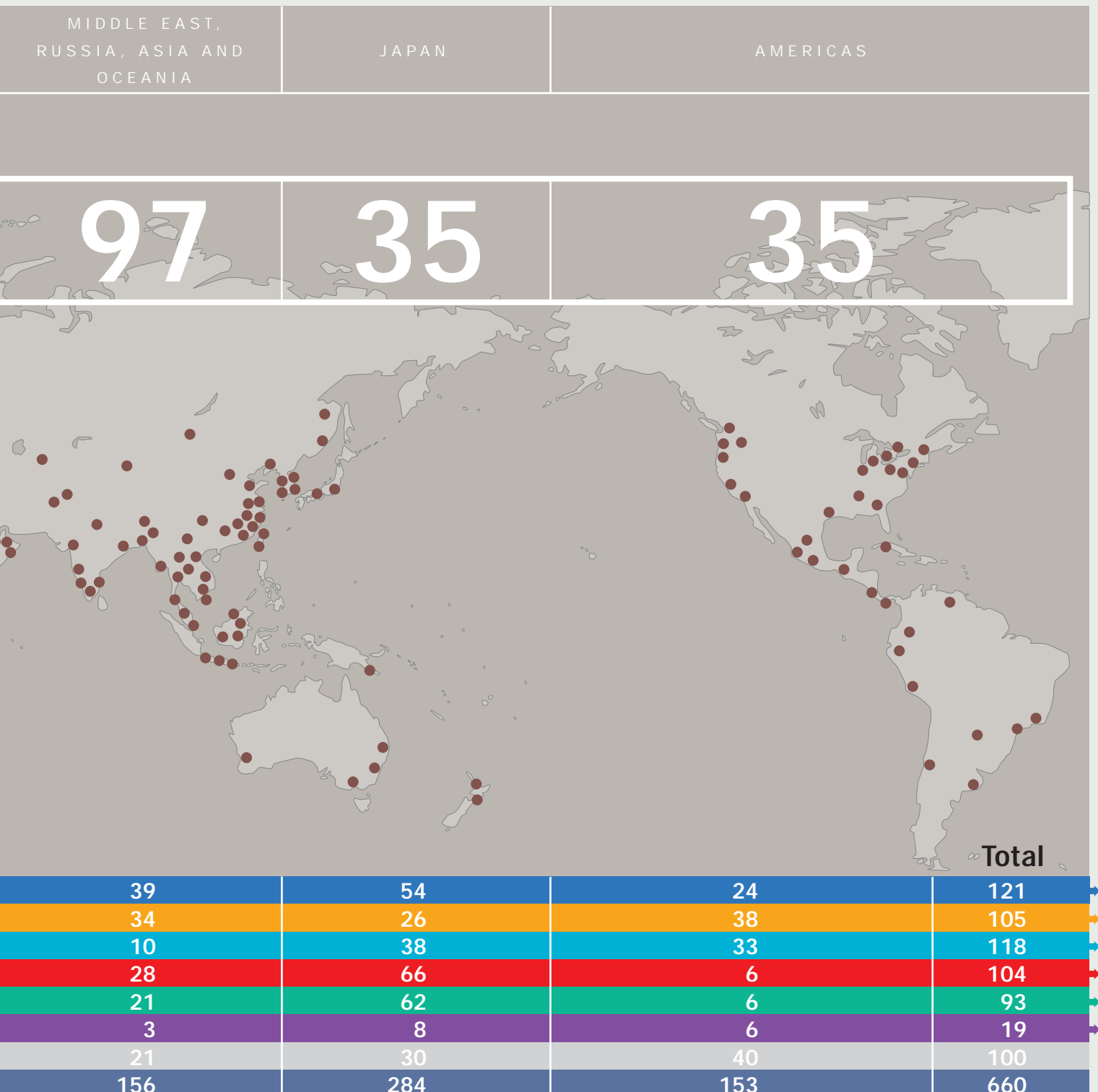
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Subsidiaries and Affiliates: Total 660

| | |
|--------------|-----------|
| | 4 |
| | 7 |
| | 37 |
| | 4 |
| | 4 |
| | 2 |
| | 9 |
| Total | 67 |

Nissho Iwai consists of six groups and 20 divisions. The Company operates out of 194 offices and has 660 subsidiaries and affiliates in 81 countries worldwide.



Metals Group



Kazuo Inohara
Senior Managing Director

Although strong overseas demand supported solid growth for steel products in the first half of the term, turmoil in Asian currencies and uncertainty in the Japanese financial system led to weakened domestic and overseas demand in the second half. Amid this harsh operating environment, Nissho Iwai made efforts to expand transactions by enhancing the functions of its processing and distribution networks and actively promoting strategic business alliances and investments.

Non-ferrous metals recorded strong growth, supported by sales of nickel, titanium and niobium. Copper and aluminum also contributed to growth.

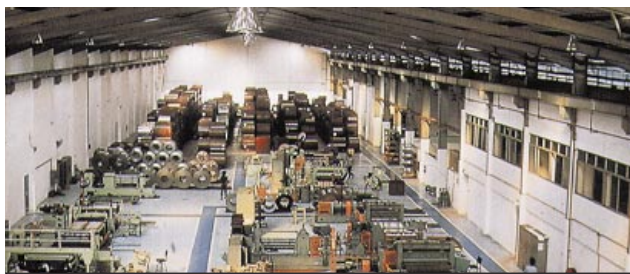
In the current term, Nissho Iwai is promoting flexible staffing and strengthening human resource development between operations in steel and non-ferrous related products. The Group will step up marketing power in every division.

Steel Products Division

Nissho Iwai boasts one of the leading sales records in the domestic steel market. The Steel Products Division handles ordinary steel products, purchased from blast and electric furnace mills and rolling mill manufacturers and marketed to a broad cross-section of industry, including the automotive, shipbuilding, construction, housing, consumer electronics, steel furniture and steel can sectors. The Division is responding to the shift to overseas production by these industries, as well as by automotive and consumer electronics parts manufacturers, through the development of steel service centers in various locations around the globe.

Efforts in the steel pipe field are focused on energy-related areas. The Division has established steel pipe marketing companies in the United States, Singapore and the United Kingdom as bases for development projects, and is making full use of its global network to expand sales.

The proportion of off-shore transactions has risen in recent years reflecting growth in such transactions as semi-finished products in Brazil aimed at Asian markets.



Steel service center in Singapore

The Division has an integrated structure for domestic and overseas markets, and is strengthening its marketing network at domestic centers and affiliated companies throughout the Nissho Iwai Group. At the same time, it is striving to expand the scale of its operations through active investments to step up steel production and distribution.

Wire Rod & Speciality Steel Division

The Wire Rod & Speciality Steel Division handles wire rod and wire products, speciality steel and stainless steel through an integrated and borderless marketing system established early on between domestic transactions and trade. The level of transactions is among the highest in the industry.

Nissho Iwai's upstream strategy for overseas operations includes investments in a North American wire manufacturer with Kobe Steel, Ltd. and in stainless steel operations in Spain's Acerinox S.A. with Nisshin Steel Co., Ltd. Our downstream strategy in recent years has focused on overseas opportunities, resulting from overseas expansion by Japanese manufacturers and growth in Asian industries. In addition to a plan to substantially increase production through expanded facilities at P.T. Iron Wire Works Indonesia (IWWI), in which we invested in Indonesia in the 1970s, two new joint ventures were established in 1997 in Thailand, and business development continued in China and North America.



Wire rod produced by P.T. IWWI of Indonesia

With a new organization that integrates operations in the Tokyo, Osaka and Nagoya regions, the Division is planning a unified product strategy and is stepping up its ability to respond to the diverse needs of its customers.

Ferrous Materials & Coal Division

The Ferrous Materials & Coal Division has long been a top player in the ferrous metals and coal industries, currently handling approximately 17 million tons of iron ore, seven million tons of coal and 700,000 tons of ferroalloy in annual imports.

Nissho Iwai has coordinated iron ore imports from Companhia Vale do Rio Doce (CVRD), the world's largest iron ore producer, for more than 40 years. For hot briquetted iron (HBI), we have capital stakes in production companies in Venezuela, and are selling HBI to electric furnace mills, mainly in the United States.

The Company imports coking coal from Canada and steaming and semi-soft coking coal from Australia, and has invested in the development of these resources. To secure a stable supply of steaming coal and semi-soft coking coal, Nissho Iwai is participating in a number of new projects in Australia and Indonesia from the exploratory phase.



Mamatwan manganese mine in the Kalahari Desert, southern Africa

Together with a company in the Czech Republic, we are involved in the production and marketing of ferrovanadium. Through a merger with SAMANCOR of South Africa, we are developing production and marketing operations of ferrochrome, and in a joint venture with Thompson Creek Mining Company of the United States, we purchased the Endako mine, the largest molybdenum mine in Canada. With these projects, the Company's activities are expanding beyond traditional importing of ferroalloy and iron ore into investments in ferroalloy operations overseas.

Non-Ferrous Metal Division

The Non-Ferrous Metal Division recorded favorable growth in aluminum, copper, nickel and other metals. In particular, ferro-niobium sales to Japan and Southeast Asia from the Brazilian company Companhia Brasileira de Metalurgia e Mineração (CBMM) reached a historic high. Exports of aluminum fin stock, copper pipes for air conditioners, and print rollers were favorable. Exports of new materials also recorded solid growth, including materials for lead frames and connectors, magnetic materials, and copper billets and cakes used as raw material for electron tubes and lead frames.

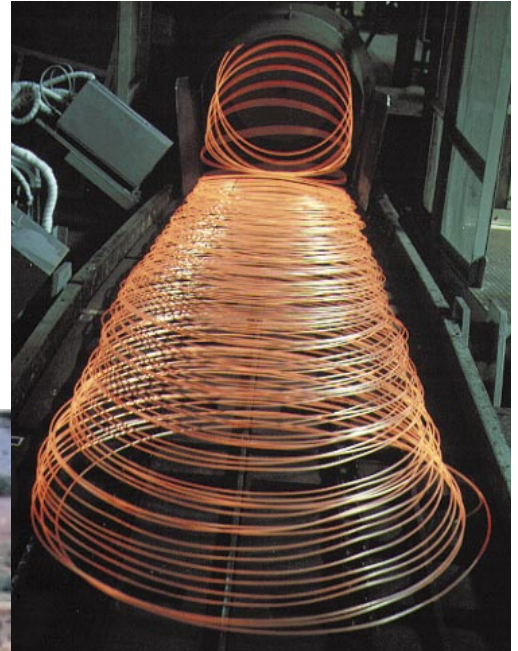
Overseas, the Company received contracts to lay power cables in Singapore and Taiwan. In Australia, the Worsley Alumina Project, in which the Company is participating, was launched to expand the annual alumina production 1.8 times to 3.1 million tons. Also in Australia, construction started on a new copper smelter and refiner for Port Kembla Copper Pty. Ltd. In Vietnam, production began at our joint venture, Vietnam Japan Aluminium Co., Ltd., the country's largest manufacturer of aluminum for extruded shapes. In China, a joint venture started production of refined copper components used in consumer electronics, and another joint venture was established for the manufacture of steel tubes used in automobiles and refrigerators.



View of the Araxá niobium mine operated by Companhia Brasileira de Metalurgia e Mineração (CBMM), with whom Nissho Iwai collaborates as the Japan and Southeast Asia representative office for marketing ferro-niobium used in steel. During the term under review, Nissho Iwai sold 3,900 tons from this mine, accounting for 76% of the Japanese ferro-niobium market.

In the future, we will continue to develop operations in the manufacturing and processing of non-ferrous metals and products in Japan and abroad, and to advance our marketing of electronics materials, raw materials for battery cells, and high-purity niobium oxide for optical use. We are also planning to reinforce staff at our affiliate companies and to bolster marketing power throughout the Non-Ferrous Metal Group.

Wire rod coming off a rolling line



Hot briquetted iron plant of Operaciones al Sur del Orinoco (OPCO), a company in Puerto Ordaz, Venezuela



The opening ceremony for Vietnam Japan Aluminium Co., Ltd. held in Vietnam on December 3, 1997



Delivered to the Foothills gas pipeline expansion project in Canada, these 42-inch diameter steel pipes expanded the Foothills system to a total of 606 miles of pipeline as of November 1, 1998.





Project & Contractor Business Group

Shiro Yasutake
Managing Director

The Project & Contractor Business Group handles transactions for a variety of plants and equipment operating in a wide range of industries, including natural resources and energy, chemicals, electric power, steel, paper, automobiles and consumer electronics, as well as infrastructure projects. It is also actively expanding operations in housing, construction and urban development.

With the consultative planning capabilities and project financing that only a *sogo shosha* can offer, the Group creates and promotes new large-scale projects as one of its major profit-making businesses.

At the same time, we are expanding business through a line-up of comprehensive transactions ranging from supplying raw materials to purchasing finished products. In addition, we handle plants, machinery, and equipment, focusing on extra-value-added businesses for the 21st century.

Project Planning & Promotion Office

The principal function of the Project Planning & Promotion Office is to accelerate large-scale projects in the areas of energy (oil, gas and power), minerals, food resources, transportation, basic industries such as chemicals and steel, and the environment.

The majority of projects promoted are initiated and owned by the private sector and located in emerging countries.

Approaches cross over a number of divisions in Nissho Iwai and center on ensuring service with a high degree of professionalism.

The Office staff, comprising experienced professionals with a full knowledge of project finance, take lead roles from a project's conception to completion. In addition, the Office fulfills advisory functions in project evaluation and building frameworks for financial security packages in project financing.

The Energy & Chemical Project Division purchases and markets a wide range of plants and equipment focusing on the petrochemical and natural gas industries. We cooperate closely with project owners and managers for profitability analysis, funding plans, product sales and financing for plant purchases.

Recent large-scale projects include an ethylene plant for Arabian Petrochemical Co. (Petrokemya) in Saudi Arabia totaling ¥30 billion, an oil refinery for Pak-Arab Refinery Ltd. in Pakistan totaling ¥88 billion, a refinery and power unit for Essar Oil in India totaling ¥100 billion, and an ethylene and polyethylene plant for the Uzbekistan National Corporation of Oil and Gas Industry totaling ¥87 billion.

The new Marine & Offshore Engineering Department, as well as the Offshore & Energy Project Department, is expected to enhance the Division with transactions for such mobile units as drilling rigs, floating production, storage and offloading (FPSO) units, floating production systems (FPS), work boats and pipe layers.



Floating production platform
PETROBRAS-26

The Offshore & Energy Project Department deals mainly with offshore oil and natural gas industries. In Brazil, the Department received a contract worth US\$290 million for PETROBRAS-37, an FPSO unit for the

Brazilian national oil company Petroleo Brasileiro S.A. (PETROBRAS), to go with an existing semi-submersible FPS, the PETROBRAS-26. In Mexico, we entered a US\$22 million credit arrangement regarding construction for the Mexican national oil company PEMEX. In a joint venture with Modec of Singapore, we invested in "Tchatamba A," a new jack-type mobile offshore production unit, and "Madiela," a floating storage and offloading unit, for a total of US\$95 million.

Infrastructure Project Division

The Infrastructure Project Division is active in the arena of social infrastructure, and consists of the Power Project, Construction Machinery, and Infrastructure Project Departments, as well as a newly added fourth department, the Heavy Machinery Project Department.

The Power Project Department is responsible for all overseas power projects, in particular independent power producers (IPPs).

All domestic and overseas construction machinery business and projects are handled by the Construction Machinery Department.

The Infrastructure Project Department deals with private-sector infrastructure operations overseas, including airports, harbors, sewage works and highways, as well as projects related to Japanese Official Development Assistance (ODA).

The Heavy Machinery Project Department concentrates on overseas projects related to supporting industries, such as steel, pulp and paper, non-ferrous metals and cement.



Gas turbine for Combined Cycle Power Plant

Industrial System Division

The Industrial System Division pursues highly profitable business opportunities by combining extra-value-added production technologies and systems with Nissho Iwai's valuable service functions, including feasibility surveys, construction of sales and distribution networks, loans and investments, and plant construction.

The Division is winning large numbers of contracts in domestic and overseas markets in a wide range of business fields, from plant supply for consumer electronics, automobiles and food processing, to textiles production and metal processing facilities, as well as medical equipment.



Helical computed tomography (CT) scanner of TOSHIBA

During the term under review, Poland's Daewoo-FSO Motor Corporation placed orders worth ¥8 billion for an automobile manufacturing facility. In metal facilities, the Division received an order worth ¥2 billion for a continuous

casting machine for steel works in Qatar. It also exported CO₂ laser-processing machines worth ¥8 billion to North American and European markets.

In the medical field, in addition to overseas projects and exports of various medical equipment, the Division has acquired preferred shares of Rita Medical Systems Inc., a U.S. venture enterprise possessing state-of-the-art technology. This investment has led to exclusive rights to import equipment into Japan for treating malignant tumors using Rita's minimally invasive radio-frequency technology, which is slated for nationwide marketing to universities, national hospitals and other leading medical institutions.

In food processing, an order totaling ¥1.5 billion was received for a cleaning and filling facility, manufactured mainly by Till GmbH of Germany, for a major domestic beer company.

In overseas activities, against a backdrop of strong economic growth in the United States, the Construction & Urban Development Division invested aggressively in residential projects, especially on the West Coast. Despite the currency crisis in Asia, a variety of projects continued with relative stability in Singapore, Indonesia, Vietnam, China and Hong Kong for lot development projects, including condominiums, townships, industrial parks, office complexes, office buildings and warehouses.

In the domestic market, despite historically low interest rates on housing loans, a worsening economic environment dampened housing purchases. However, we were able to bring to market 1,700 condominium units and 180 single-family homes, mainly in the Tokyo metropolitan area and the Kansai region.



Grandfine Kaga, a large-scale development project in Tokyo (above) Ocean Pointe at Ewa Marina Project in Hawaii

We are aiming to develop acquisition and leasing operations into a new revenue pillar through such projects as the Nishiguchi Shintoshin Building, a combination hotel, office and commercial space located next to Yamagata Station, as well as a shopping center and a distribution center.

As a developer, we are planning to expand handling of materials and equipment throughout Nissho Iwai, and will establish new business opportunities through long-term large-scale projects in cooperation with local government bodies and similar organizations.



Chinfon Cement Factory, under construction in Vietnam

Cleaning and filling facility manufactured by Till GmbH of Germany



Aerospace & Communication's Group



Takayuki Mabuchi
Senior Managing Director

The Aerospace & Communication's Group handles high-level transactions for communications systems used in aircraft, ships, rolling stock, automobiles and motorcycles, in addition to marketing and developing a wide variety of operations in the information industry. Computer network systems and information technology are advancing at light speed and spreading into every sector, contributing to the inevitable formation of a digital economy or information-orientated society. In this society, dynamic global movements are thankfully providing us with the chance to create new industries and new opportunities in a range of business fields.

Amid this environment, the Group has two major aims and challenges. The first is to contribute to the international distribution value-chain by expanding trade in such traditionally strong fields as aircraft, ships and rolling stock. The second is to support intensive business development in high-growth information-technology industries as well as the global automobile market industry.

Information Business Division

The Information Business Division aims for strong growth while balancing investments with product sales and purchasing. Japan Satellite Systems Inc., in which Nissho Iwai has a 23.5% stake, successfully launched the new “JCSAT-5” satellite in December 1997. Japan Digital Broadcasting Services Inc., a joint venture of Japan Sky Broadcasting Co., Ltd. (JSkyB) and PerfectTV Corp., launched Sky PerfectTV in May 1998. This new digital satellite broadcasting service uses Japan Satellite Systems’ satellite and offers more than 150 channels. Further, Kita Cable Network Inc. and other cable television stations in which Nissho Iwai has invested have begun interactive services, represented by the Internet. Centering on its distributing affiliate N.I. Telecom Corp., we are carrying out aggressive efforts with domestic telecommunications operations in marketing mobile handsets and the resale of telephone lines. NIFTY-Serve, a general information network service company established with Fujitsu Ltd., continued favorable business results, becoming the largest Internet service provider in Japan and the third-largest in the world. In the North American market, Nissho Iwai holds a long-term cooperative relationship with SPRINT, and participation in telecommunications business is underway in China, Southeast Asia and Latin America, where Nissho Iwai is providing mobile communications facilities in cooperation with NEC



The launching of JCSAT-5

Corp. In cooperation with Nissho Electronics Corporation, we are introducing the CIENA fiber optic multiplexing device to domestic telecommunications providers, part of the Group’s healthy trade with high-tech enterprises in such places as Silicon Valley in the United States, and Israel.

Automotive Division

The Automotive Division conducts exports and offshore trading of automobiles and motorcycles, and develops automotive-related operations in various business fields, including overseas production, importer-distributorships, dealerships, and leasing and financing operations. Operations extend to 30 different companies, and transactions are conducted not only with Japanese manufacturers but also with manufacturers from Germany, France, South Korea, India and Malaysia.

Noteworthy achievements in the fiscal year under review include a sharp increase in the number of automobiles sold by MMC Automotriz S.A. of Venezuela; a record high number of automobiles sold by Toyota Motor Poland Co., Ltd.; and continued favorable results for automobiles and motorcycles manufactured and sold at China’s Chongqing Changan-Suzuki Automobile, Ltd. and the Vietnam Suzuki Motor Corp. As a result, we expect each of these ventures to eliminate accumulated losses in the current term.



Automobile manufacturing factory of Chongqing Changan-Suzuki in China

In new businesses, the Company invested in Anoger Automobiles Pty. Ltd. of Australia, and is beginning full-scale marketing of commercial-use vehicles manufactured by Tata Engineering & Locomotive Company Ltd. of India.

For the current term, aggressive business investment in automobile marketing is planned, emphasizing a balanced regional approach.

Marine & Transportation Systems Division

The Marine & Transportation Systems Division enjoys a solid reputation worldwide as a global leader in shipbuilding, production systems and materials, and rail transportation.

The Marine Department handles shipbuilding, chartering and the financing and leasing of ships. During the fiscal year under review, we delivered 32 new ships totaling ¥135 billion, and won contracts for 34 new ships totaling ¥101 billion. We also contracted 21 secondhand vessels totaling ¥22 billion.

In non-sales activities, the Division planned ship investment to increase assets. We ordered a 22,000 M3-type carrier to increase the transport of liquefied natural gas (LNG) from Indonesia to Japan from the year 2000.



5,250 TEU container ship JINHE

The Production Systems & Materials Department handles large-scale domestic and overseas businesses centering on its core product, welding materials from Kobe

Steel, Ltd. (KSL), which ranks third in the world in production volume. The Department's business accounts for approximately 20% of the domestic market and 60% of total exports from Japan. We also handle welding equipment, various models of robots and a variety of manufacturing systems for shipbuilding yards.

The Transportation Systems & Equipment Department boasts more than 30 years experience in the supply of rolling stock to customers throughout the world. In addition to rolling stock, we are aiming to undertake mass transit construction projects that involve power supplies, communications, signaling, and track and tunnel work. The Department successfully introduced European-made railway equipment, and is expanding into joint product development for Japanese domestic railway industries.

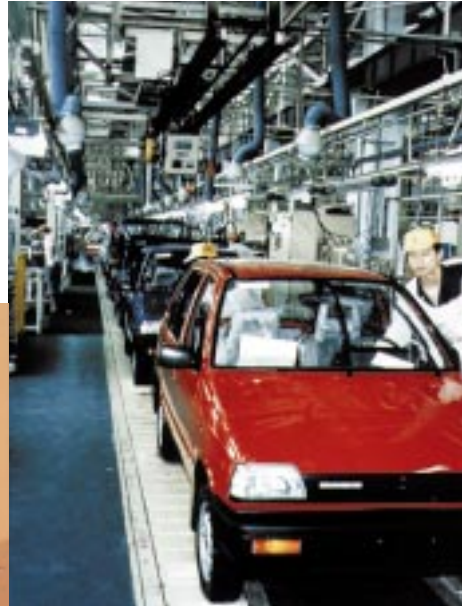
Aerospace Division

The Aerospace Division is rapidly expanding global operations, playing a vital role in optimizing and modernizing airline fleets by providing sales consulting, purchase leasebacks, financing and operating leases. During the fiscal year under review, we provided sales consulting to The Boeing Company for commercial aircraft sales to Japan Airlines Co., Ltd. (JAL), All Nippon Airways Co., Ltd. (ANA), Japan TransOcean Air Co., Ltd. (JTA), and Air Nippon Co., Ltd. (ANK). Our trade operations permit such airlines to phase out their used aircraft overseas. In addition, Sunrock Aircraft Corporation Limited (SAC), an operating lease arm in Dublin, Ireland, enhances the Division's global activities through contacts with international clients. The Division also provides high-quality services to Japan's defense industries and the Japanese government. As a major supplier to the Japan Defense Agency, we represent many leading global defense contractors. In the space development business, we made significant contributions to the development of the Japan Experimental Module (JEM) program, a part of the International Space Station project that includes NASA, the European Space Agency (ESA) and agencies from several other countries. To strengthen our activities in space, we have been leading the Space Technology Research & Development Group of Japan (SPAT), a consortium of 29 prominent Japanese companies.



Through Nissho Iwai, The Boeing Company markets its aircrafts to Japan's major airline companies.

This Chongqing Changan-Suzuki factory in China produces more than 3,000 cars per month.



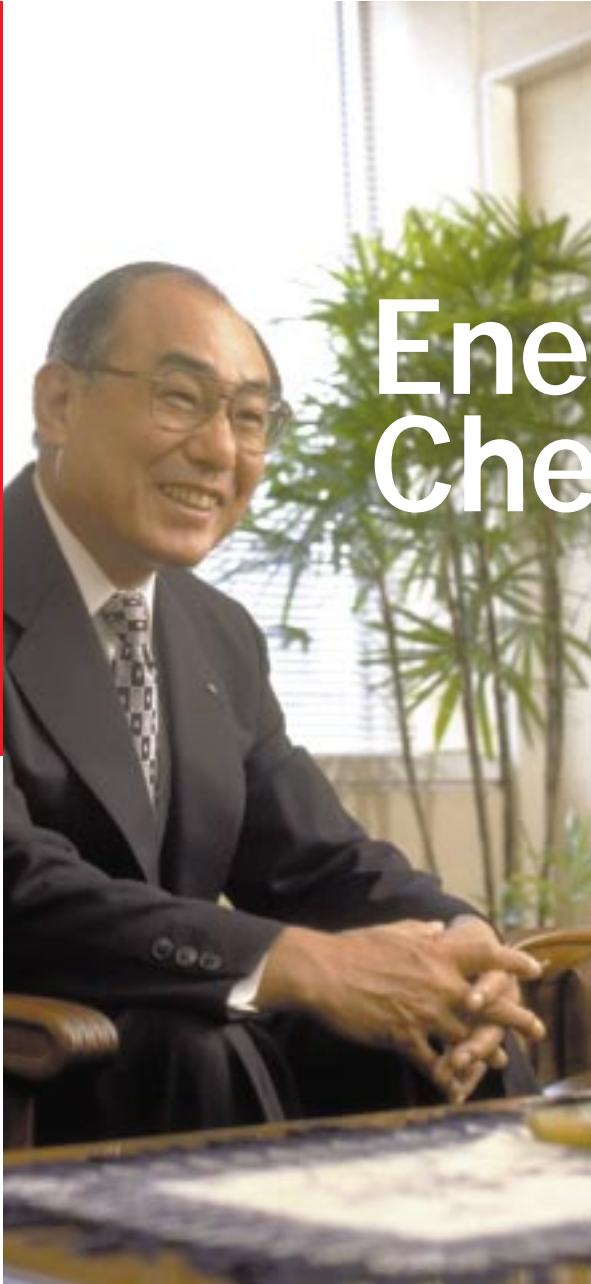
Boeing 777 is the largest twinjet aircraft in the world.



Offering over 150 channels, Sky PerfectTV is the largest satellite broadcasting service and the first of its kind in Japan.

The newest type of rolling stock for the New York City subway system





Energy & Chemicals Group

Toshihisa Kajiwara
Senior Managing Director

In fiscal 1997, ended March 31, 1998, sales in the Energy & Chemicals Group increased approximately 18% to surpass ¥1,900 billion, and targets in the current fiscal term exceed ¥2,000 billion. As our trading transactions have expanded, profitability has steadily increased as well, with the Group posting operating income of approximately ¥21.6 billion.

As a result of continuous investment in Japan and abroad, we now hold over 100 consolidated subsidiaries, including a recently established company in China to market liquefied petroleum gas (LPG). In Asian countries in particular, we have established footholds in production and marketing of such materials as methanol, fertilizer, refractory materials and mineral products.

After reinforcing the Group's profitability with a consolidated accounting system, we will advance investment in the fields of energy, minerals and chemicals, thereby enabling us to secure energy and mineral resources, and enhance our production and marketing capacity.

Energy Division

The Energy Division recorded substantial transaction growth to approximately ¥1,400 billion, reflecting the following activities in each area.

Oil The Division secured a base for expanding oil transactions through offshore trading contracts for Brazil and Angola; long-term import contracts for low-sulfur oil from Malaysia and naphtha and asphalt from South Korea; and participation in an LPG project in China.

Liquefied Natural Gas (LNG) Investment in the Ras Laffan LNG project in Qatar has ensured a new stable supply of LNG. We have acquired a 25% stake in Burmah Castrol Plc. to construct a worldwide LNG marketing network, leading to development of LNG supply from upstream to downstream.

Thermal Coal Attracted by the high quality of Nanton coal from Shantung, China and its close proximity to Japan, we took effective measures to expand imports from that region, resulting in coal sources in China in addition to Australia, our traditional supply source. We also expanded sales and further diversified sources for activity in the next century.



Nissho Iwai was contracted to transport Indonesian LNG for Hiroshima Gas Co., Ltd. and Nippon Gas Co., Ltd.

Nuclear Fuel We bolstered our operating structure to facilitate new long-term orders for nuclear fuel and mixed-oxide (MOX) fuel processing contracts, and we conducted marketing of nuclear power generation and waste disposal equipment, in addition to nuclear fuel, to the power industry and manufacturers of nuclear power plants.

The Division is securing energy sources from a medium and long-term perspective, and strategically promoting downstream and energy-related businesses based on a new integrated business structure.

The newly established Energy Project Promotion Office expedites operations in oil prospecting and development. Using outside managerial resources and tie-ups, it supports wide-ranging business projects for energy supply and demand.

Chemicals Division

The Chemicals Division comprises the three departments of Ceramics & Minerals, Fine & Inorganic Chemicals, and Organic Chemicals & Plastics. Total transactions for the fiscal year under review amounted to approximately ¥580 billion.

Ceramics & Minerals Mineral sands, such as rutile, zircon and ilmenite, have increased in importance as resources for titanium dioxide and titanium metal. Nissho Iwai markets these commodities to customers in Europe and North America from its supply source in Australia. In fireproof materials, we established a joint venture in China to respond to the trend in industries for value-added materials.



Ilmenite is one of the major mineral deposits at the Jangardup mine in Western Australia.

Inorganic Fertilizer

In fertilizer, a project is underway to establish a manufacturing joint venture in China, to be our fourth in Asia along with joint ventures in Thailand, the Philippines and Vietnam. To secure supplies of chlor-alkali outside of Brazil, we are focusing on

opportunities in the Middle East and India. With a joint venture for agrochemicals already established in Thailand, intensive promotion is underway for bases in Malaysia and the United States.

Organic Chemicals & Plastics In Organic Chemicals & Plastics, full operations began at a methanol manufacturing complex in Indonesia. In India, we agreed to participate in the Pure Terephthalic Acid (PTA) project to expand trading in raw materials to be used in polyester fiber. In China, a project for nylon production is in progress. Construction of the TUBAN project in Indonesia, postponed by the economic crisis, is ready to resume as soon as conditions are fulfilled.

Consumer Products Group



Shoichi Tanaka
Managing Director

The Consumer Products Group consists of divisions for Housing Materials & General Merchandise, Foods, Textile and Logistics. With a selected focus of its resources, the Group is bolstering production bases around the world in industries ranging from afforestation, woodchip and lumber operations to grains and processed foods. We are developing and retailing products that respond to the needs of contemporary society, such as Nike, the world leader in sporting goods, Philip Morris cigarettes and Balenciaga-brand textiles. The Group is also advancing logistics bases around the globe based on its philosophy of “from and to the market.”

Housing Materials & General Merchandise Division

The Housing Materials & General Merchandise Division focuses on imports, exports and marketing of general commodities and pulp and paper products. General commodities include sporting goods, represented by the world market leader Nike, Philip Morris-brand cigarettes, audiovisual equipment and other consumer electronics, tires and motorcycle parts, and raw leather and leather products. Pulp and paper operations include such products as recycled paper and newsprint paper, as well as developing afforestation and woodchip projects.

Notable events in the fiscal year under review included the 25th anniversary of Nike Inc., the establishment of joint ventures with automotive parts manufacturer Mitsuba Corp. in Vietnam and Italy, and entry into the “infomercial” business in cooperation with the Information & Industries Division.



The No. 1 sporting goods brand in the world, Nike has been handled by Nissho Iwai for 27 years.

The Division maintains the top share of the imported wood products market in Japan, importing logs, lumber and wooden construction materials, while developing a variety of operations to aid and assist environmental protection and industrialization projects in wood-exporting countries.

In September 1997, production of medium-density fiberboard (MDF) started at our Malaysia plant, a comprehensive wood-processing base as well as a plywood and door processing facility. In New Zealand, Papua New Guinea and Indonesia, we are conducting integrated operations, from afforestation and forest management to processing. We plan to enter the market in China with a view toward the commercialization of housing.

Foods Division

The Foods Division handles a full range of food products, from raw materials to finished products, including grains, oil seeds, feedgrains and livestock, sugar, marine products, agricultural produce, soft drink ingredients, processed foods and food ingredients. We focus on investment businesses in addition to imports and exports to and from Japan, as well as domestic sales and offshore transactions. We are actively promoting investment and finance in such emerging markets as China and Southeast Asia, while diversifying and upgrading our function to address such possible problems as growth in the global population and shortage of food supply.

Amid a challenging economic environment during the term, the Division took initiatives for new and broad-based business development, forming a strategic business alliance with a group of top-performing corporations in China, Indonesia, the Philippines and other countries in Asia. In response to sluggish consumer spending in Japan, we are steadily developing strategies to better respond to new trends, catering to the growing movement toward health and safety consciousness by introducing organic foods and other differentiated products into the market.

The organizational structure was transformed from departments for each product to six departments: Grain, Oil & Sugar, Feed & Meat, Foods Marketing, Marine Products Marketing, and the Osaka Foods and Nagoya Foods Departments. At the same time, the Division is responding more effectively to the global market with strategic bases in New York, London, São Paulo and Beijing.



Nissho Iwai handles a wide variety of food products.

Textile Division

With approximately ¥228 billion in annual trade transactions, the Textile Division is responsible for marketing a variety of apparel-related products, ranging from such basic materials as wool and synthetic fibers to fabrics and knits made from cotton, synthetic fibers and silk, as well as bed linens, interior fabrics and other materials. We are continuing our global trading encompassing imports, exports, domestic sales and offshore transactions, with three major bases in Hong Kong, Milan and New York and more than 20 overseas representative offices.



Nissho Iwai is actively participating in the introduction of such brand products as Balenciaga.

Trading transactions in apparel-related products have recorded high growth recently as a result of entry into the Japanese clothing retail businesses by Marlboro Classics and other brands, and an increase in imports. We continue to build apparel production bases, especially in Vietnam and China, to respond to the shift abroad of Japanese production facilities, importing aprons, men's

jackets, pajamas and children's wear from Vietnam; we mainly imported casual clothes from a network of more than 100 factories in China. In the future, we will make efforts in selecting top-of-the-line factories and strengthening inspection systems as we engage in active investment and finance projects to create a stable business base.

In addition, we are creating a system to allow aggressive entry of such brand products as Balenciaga, So and Mark Eisen to expand offshore transactions and to step up our consultative marketing capabilities for materials.

Logistics Division

The Logistics Division is a service provider offering the most effective logistics solutions through its supply chain.

We provide new exclusive logistics services, combining the following functions representative of a *sogo shosha*.

- 1) Product Management Function: the traditional function of a *sogo shosha* that consists of order-control most suited to each client
- 2) Foresight: anticipating the needs of the global logistics market
- 3) Multinationalism: worldwide trade capabilities

The role of the Division is to offer outside customers our expertise in the product management function, providing the most suitable method to deliver the wide range of products handled by Nissho Iwai. With 22 depots in 11 countries as part of our function platform, we have built a compound integrated transportation service system, which centers on NI Logistics Corp.



Nissho Iwai is aggressively promoting its logistics businesses.

Combining foresight with multinationalism has resulted in the following businesses: Autrans, a just-in-time delivery service of automobile parts in the United States, Canada, the United Kingdom, Thailand and the Philippines; inland container depot operations in Indonesia; and warehouse

businesses and transportation services for precious goods in Japan. We plan to bolster this network further to substantially expand our services.

Nissho Iwai conducts integrated operations of wood products, from afforestation and forest management to processing.



Balenciaga 1998 autumn and winter Paris pret-a-porter collection

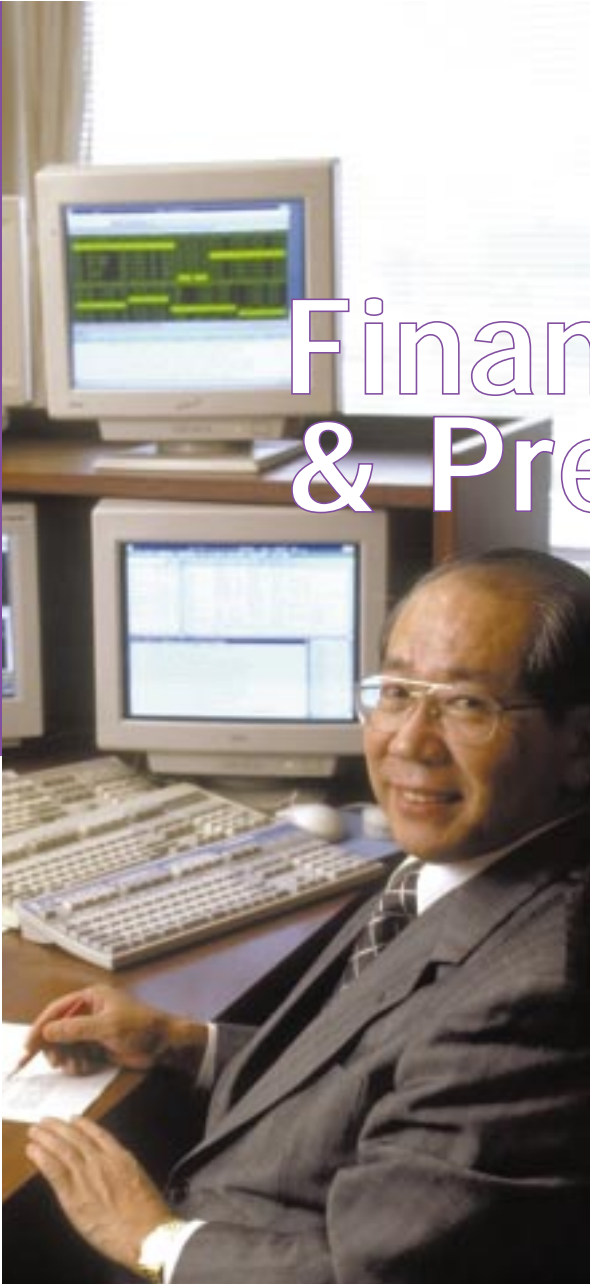


Nissho Iwai purchases tuna for sashimi directly from fishing boats worldwide, then processes it into a variety of products, and markets it throughout Japan.



Nissho Iwai's Urban Logistics Center in Japan provides a variety of logistics services to customers.

Financial Products & Precious Metals Group



Katsumi Yoshioka
Senior Managing Director

Despite the Asian currency crisis and the rapid deterioration of the Japanese economy in fiscal 1997, the Financial Products & Precious Metals Group achieved robust growth supported by enhanced management techniques and a strengthened risk management system. We established a wholly owned securities company and an asset management company to meet new business opportunities of the Japanese Big Bang. New business investments, including a new futures trading system, advanced with boldness and alacrity.

With the addition of the Insurance Department in the current term, we plan to expand business results and enhance transaction quality.

Financial Products Division

Operations in the Financial Products Division center on equities, bond dealing, currency trading and derivatives investments conducted in global markets in cooperation with subsidiaries in London and Singapore. In addition to activity in a wide range of financial products, we established Nissho Iwai Asset Management Ltd. in November 1997 and Nissho Iwai Securities Co., Ltd. in May 1998 to respond to new business opportunities emerging from Japan's Big Bang, making fee-based businesses an income base for the future. With customer-oriented services that draw on our investment experience, financial expertise and global information network, we are attempting to stimulate new demand and gain a stable level of investors. Despite a financial crisis in Asia and the rapid downturn of the Japanese economy in the fiscal year under review, we continued to secure stable profits through complete selection and analysis of information, a flexible investment stance, and accurate hedging transactions.



Operations of Nissho Iwai Securities Co., Ltd. commenced on July 1, 1998.



Although the outlook for the Japanese economic and financial environment is unpromising, we plan to enhance profitability through flexible investments in high-profit markets and products with global investment potential, together with accurate analysis of information and risk, and deeper ties to subsidiary companies in Japan and overseas.

Precious Metals & Insurance Division

The Precious Metals Department handles transactions of traditional precious metal through bullion futures trading on the Tokyo Commodity Exchange precious-metal futures market and international precious-metals markets, and is involved in fund businesses emphasizing commodity funds, a focus of investment activity in the United States and Europe. The Department is working to expand trading in close cooperation with a corporate body embracing such subsidiaries as The Astral Co., Ltd., which handles precious metals and jewels, commodities trading agent Nissho Iwai Futures Inc., and Stamford Capital Management Inc. of the United States, which is in charge of fund businesses overseas. Plans are scheduled for increasing the level of commodities trading.

The Precious Metals & Insurance Division markets such precious metals as gold, silver, platinum and palladium for industrial use, jewelry and investments.



The Insurance Department conducts risk management throughout Nissho Iwai, and insurance business under the management of five subsidiaries overseas and in Japan, which include insurance agencies and insurance brokers. To respond to liberalization in the insurance sector, we established a new subsidiary and prepared for its start as an insurance broker in October 1998. Also in October, the Department transferred from the finance section to the operations section to become part of the Precious Metals & Insurance Division, through which we expect to further strengthen marketing capabilities.



Corporate Administration Group 1

Toshihiro Tamura
Senior Managing Director

The Corporate Administration Group 1 is a body of professionals largely responsible for promoting management policies and supporting the marketing organization, including planning corporate management strategies, drafting human resource guidelines to foster globally competitive staff and constructing an information network to organically link a flood of diverse information.

The Group's responsibilities are growing substantially in line with dizzying changes in the political and economic environment.

Main Activities

Management Strategy

As the staff body in top management, the Group is responsible for such essential roles as creating management strategies, formulating mid-term management plans, and servicing and upkeeping the internal organization. Substantial reforms in management structure and organization proposed by the Group were put into effect in fiscal 1998. The resulting strengthened base of the management organization was able to respond rapidly, flexibly and dynamically to sudden changes in the Company's operating environment.

Human Resource Strategy

Motivating and fostering human resources, one of the greatest assets of a *sogo shosha*, is essential for strengthening the management base. In fiscal 1998, we effected a fundamental revision of the human resources system, setting up an achievement-based human resources strategy.

Overseas Management Strategy

The Group is responsible for an important function in cooperating with general managers for the region and/or district to construct regional strategic frameworks and enhance the Company's overseas

management base. Adapting to extensive changes in the world's political and economic structure during the term under review, the Group proposed and implemented structural and organizational reforms tailored to each region.

Information Systems Strategy

The construction of information systems is an important strategy for supporting the global and consolidated operations of a *sogo shosha*. With construction and maintenance of an information network, the Group is furthering its development of information systems in a variety of ways, including sharing management and marketing information and establishing new transactions that use electronic commerce and electronic data interchange (EC/EDI).

In addition, one of the key issues facing top-level management is the Year 2000 (Y2K) bug. The Group is implementing countermeasures in the Company-wide computer system, and expects a completed response by June 1999. With the formation of a Y2K Policy Working Group, the Company is progressing with an investigation and advancing corrective measures to minimize the impact of Nissho Iwai's problems with Y2K on its customers and trading partners.



Corporate Administration Group 2

Yoshinori Takeda
Senior Managing Director

The Corporate Administration Group 2 consists of departments responsible for asset and liability management (ALM), finance, accounting, legal matters, credit management and affiliates administration.

Stable funding for support of the Group's business activities is obtained from capital and financial markets. We are planning to improve the financial structure by reviewing assets and eliminating those less profitable.

We are making every effort to continue supporting sound business activities throughout the Company by analyzing the various risks, including country risk, currency risk, project risk and credit risk, and strengthening our policies to respond to those risks.

Main Activities

ALM

To improve the financing structure, the ALM Office is engaging in the promotion of asset efficiency through management of the Group's consolidated balance sheets. We are also strengthening the management database system to assist administration of consolidated operations.

Finance

In the area of finance, we are working toward integrating administration throughout the Nissho Iwai Group with its essential fund-raising and management functions. The core strength of *sogo shosha* finance activities is command of expertise in institutional finance and other finance areas, especially with projects both in Japan and overseas. In light of the recent rise in foreign currency payments in Japan since the start of the Big Bang financial deregulation in April 1998, foreign currency management has become increasingly essential in currency exchange activities.

Accounting

The Accounting Department, comprising the General Accounting Office and four Accounting Offices for Business Departments, is making efforts to bolster risk management functions and raise business efficiency under the watchword "Change and Challenge." The General Accounting Office is planning to respond to the market-value accounting and pension accounting systems and to strengthen consolidated accounting, while the Business Accounting Offices are working on total administration to support operations across all administrative functions, adding to their essential accounting job.

Legal Matters, Credit Management and Affiliates Administration

The Legal, Credit and Affiliates Administration Departments, forming the core of risk management, are undertaking thorough legal responses, as well as credit risk and exposure management. As part of consolidated management, we are continuing vigorous support of our affiliated companies.



Nissho Iwai Foundation is also aggressively taking part in the spread of Japanese language.

Operating through 194 offices and 660 subsidiaries and affiliates spread over 81 countries around the world amid progressive globalization, Nissho Iwai is strongly aware of the importance of realizing values independent of nationality, race or language. This awareness forces us to accept responsibility for conserving and improving the quality of the global environment and promote mutual understanding among people. We have established a foundation for international exchange, and created a special team for environmental issues. We also make donations to universities and scientific institutes in Japan and overseas.

The Nissho Iwai Foundation was established in December 1988 to mark the twentieth anniversary of the merger between Nissho Co., Ltd. and Iwai & Co., Ltd. As part of our contributions to the global society, this foundation aims to promote an international understanding of Japan in both the social sciences and humanities, and to provide financial support for international exchange programs. Funding by Nissho Iwai and its affiliates has reached over ¥1.8 billion in the 10 years since its inauguration and has steadily

fostered development in three fields: scientific grants, scholarships for foreign students in Japan and various international exchanges and programs to promote understanding of Japan.

In recognition of the importance of environmental issues for management, we established the “Nissho Iwai Global Environmental Charter,” outlining the basic principles that stipulate the Company’s environmental policies. Interdivisional special taskforces have been set up to achieve the Charter’s goals. The Environmental Management Subcommittee is in charge of constructing a system that can adapt to the ISO 14001 international standard for environmental management, and to achieve ISO 14001 certification. Under such a system, each section of Nissho Iwai will contribute vigorously to the improvement of the global environment. The Environmental Business Subcommittee is involved in promoting unconventional types of environment-related businesses, which are becoming increasingly important in many parts of the world where environmental preservation is at stake.

FIVE-YEAR FINANCIAL SUMMARY

| | Millions of yen | | | | |
|--|-----------------|-------------|-------------|-------------|-------------|
| | 1998 | 1997 | 1996 | 1995 | 1994 |
| Results of operations: | | | | | |
| Total trading transactions | | | | | |
| Export | ¥ 1,383,166 | ¥ 1,178,414 | ¥ 1,026,273 | ¥ 1,025,081 | ¥ 1,139,234 |
| Import | 2,128,799 | 1,958,100 | 1,793,886 | 1,998,920 | 1,879,618 |
| Offshore | 2,632,017 | 2,088,886 | 2,097,469 | 2,713,281 | 2,630,697 |
| Domestic | 3,908,765 | 3,664,019 | 4,530,367 | 4,283,187 | 4,651,209 |
| Total | 10,052,747 | 8,889,419 | 9,447,995 | 10,020,469 | 10,300,758 |
| Gross trading profit | 291,332 | 278,538 | 255,683 | 255,362 | 254,809 |
| Net income (loss) | 3,038 | 15,421 | (25,046) | 5,237 | 10,731 |
| Financial position at year-end: | | | | | |
| Total assets | ¥ 5,440,638 | ¥ 5,414,490 | ¥ 5,002,657 | ¥ 4,899,437 | ¥ 4,698,050 |
| Long-term debt, less current portion | 1,483,414 | 1,617,304 | 1,493,967 | 1,379,246 | 1,277,945 |
| Total shareholders' equity | 269,310 | 270,937 | 213,806 | 243,548 | 241,319 |
| Per share amounts | | | | | |
| Yen | | | | | |
| Net income (loss) | ¥ 3.47 | ¥ 18.38 | ¥ (31.94) | ¥ 6.68 | ¥ 13.69 |
| Cash dividends | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Scope of Consolidation

For the fiscal year ended March 31, 1998, 354 subsidiaries were consolidated, comprising 175 domestic and 179 overseas companies. In addition, there were 204 companies accounted for by the equity method, of which 89 were domestic and 115 were overseas companies. In the previous term, there were 333 consolidated subsidiaries and 183 companies accounted for by the equity method.

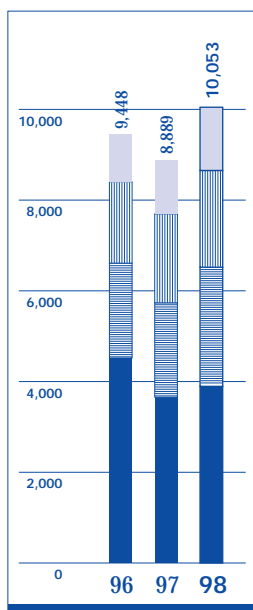
RESULTS OF OPERATIONS

Analysis of Net Sales

Net sales (total trading transactions) grew 13.1% to ¥10,053 billion. Sales expanded in every trade category, with especially high growth rates in offshore transactions and in exports. Every commodity type expanded except foodstuffs.

By trade category, exports grew 17.4% to ¥1,383 billion, owing mainly to higher levels of machinery exports, including plants, automobiles and aircraft components.

Imports rose 8.7% to ¥2,129 billion, reflecting growth in machinery imports, especially aircraft, and of aluminum ingot.



Transactions by Type of Trade (Billions of Yen)

- Export
- Import
- Offshore
- Domestic

| | 1998 | | 1997 | | 1996 | 1998/1997 |
|-------------------|-------------------|---------------|-------------------|---------------|---------------|--------------|
| | (Billions of yen) | (%) | (Billions of yen) | (%) | (%) | (% change) |
| Export | ¥ 1,383 | 13.7% | ¥ 1,178 | 13.3% | 10.9% | 17.4% |
| Import..... | 2,129 | 21.2 | 1,958 | 22.0 | 19.0 | 8.7 |
| Offshore | 2,632 | 26.2 | 2,089 | 23.5 | 22.2 | 26.0 |
| Domestic..... | 3,909 | 38.9 | 3,664 | 41.2 | 47.9 | 6.7 |
| Total..... | ¥10,053 | 100.0% | ¥ 8,889 | 100.0% | 100.0% | 13.1% |

Offshore transactions climbed 26.0% to ¥2,632 billion, mainly as a result of increases in crude oil and general commodities transactions, as well as growth in machinery sales, including aircraft related business and automobiles.

Domestic transactions rose 6.7% to ¥3,909 billion. Growth was supported by such product groups as general commodities, condominiums and steel.

By commodity type, metal sales grew 5.8% to ¥2,346 billion. Positive factors included growth in imports of aluminum ingot and iron ore, and sales of steel products to the shipbuilding and automotive industries.

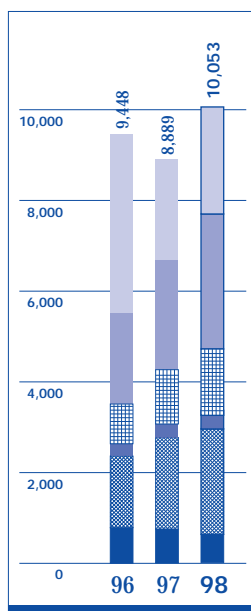
Machinery and construction sales increased 24.1% to ¥2,999 billion. This performance reflected increases in aircraft and aircraft components and growth in plant exports.

Energy sales climbed 21.7% to ¥1,465 billion owing to a higher level of offshore crude oil trading.

Sales of textiles edged up 1.4% to ¥299 billion.

Sales of general commodities increased 13.9% to ¥2,338 billion as a result of high growth in domestic and offshore general commodities transactions.

Sales of foodstuffs were down 13.9% to ¥606 billion. The largest factor in this decline was a decrease in sugar sales.

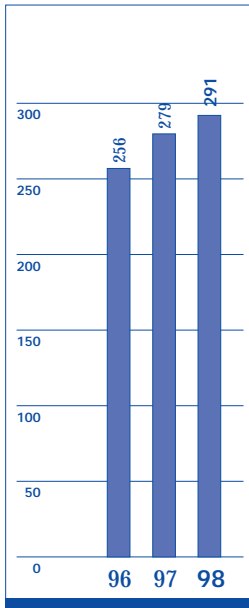


Transactions by Type of Commodity
(Billions of Yen)

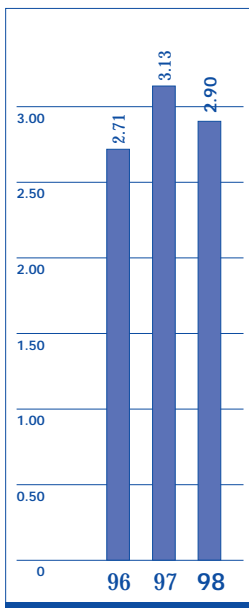


| | 1998 | | 1997 | | 1996 | 1998/1997 |
|----------------------------|-------------------|---------------|-------------------|---------------|---------------|--------------|
| | (Billions of yen) | (%) | (Billions of yen) | (%) | (%) | (% change) |
| Metals | ¥ 2,346 | 23.3% | ¥ 2,218 | 25.0% | 41.6% | 5.8% |
| Machinery* | 2,999 | 29.8 | 2,416 | 27.2 | 21.4 | 24.1 |
| Energy | 1,465 | 14.6 | 1,204 | 13.5 | 9.3 | 21.7 |
| Textiles | 299 | 3.0 | 295 | 3.3 | 2.9 | 1.4 |
| General Commodities* | 2,338 | 23.3 | 2,052 | 23.1 | 17.2 | 13.9 |
| Foodstuffs..... | 606 | 6.0 | 704 | 7.9 | 7.6 | -13.9 |
| Total..... | ¥10,053 | 100.0% | ¥ 8,889 | 100.0% | 100.0% | 13.1% |

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



Gross Trading Profit
(Billions of Yen)



Gross Trading Profit Ratio
(%)

Analysis of Net Income

Cost of sales rose 13.4% to ¥9,761.4 billion, and gross trading profit increased 4.6%. The gross trading profit ratio worsened 0.23 percentage point to 2.90%, owing partly to lower profits on domestic sales of steel and wood products. However, growth in selling, general and administrative expenses was held to just 0.6% to ¥231.7 billion. Consequently, operating income climbed 23.8% to ¥59.7 billion.

Interest and dividend income increased ¥15.4 billion to ¥118.4 billion, while interest expense rose ¥14.3 billion to ¥126.1 billion. The Company recorded a loss on sale of securities of ¥4.5 billion and a loss on the dissolution of subsidiaries and affiliates of ¥6.0 billion. Other, net expenses increased ¥7.1 billion to ¥16.7 billion. These factors led to a 22.6% decline in income before income taxes to ¥21.5 billion.

Income taxes edged up 2.8% to ¥14.4 billion. Equity in losses of unconsolidated subsidiaries and affiliates was ¥4.1 billion, compared with earnings of ¥1.7 billion during the previous term, owing largely to foreign exchange losses recorded by companies accounted for by the equity method. As a result, net income fell 80.3% to ¥3.0 billion.

Shares outstanding at the end of the term were unchanged from a year earlier, and net income per share was ¥3.47 (¥3.24 on a diluted basis). Management maintained dividends of ¥5.00.

LIQUIDITY AND FINANCIAL RESOURCES

Analysis of Cash Flows

Net cash provided by operating activities was ¥20.6 billion. This compares with a net outflow of ¥63.9 billion for the previous term.

Net cash provided by investing activities was ¥50.1 billion. The largest source of cash in this category was proceeds from sale of securities of ¥514.4 billion, along with a decrease in long-term loans receivable of ¥203.7 billion. The two largest uses of cash were payments for purchase of securities of ¥404.4 billion and additions to long-term loans receivable of ¥223.7 billion.

Net cash provided by financing activities was ¥83.5 billion. The largest sources of cash in this category were proceeds from issuance of bonds of ¥186.5 billion, proceeds from other long-term debt of ¥265.8 billion, and an increase in short-term debt of ¥115.7 billion.

In aggregate, cash and cash equivalents at end of year increased ¥155.1 billion to ¥297.8 billion.

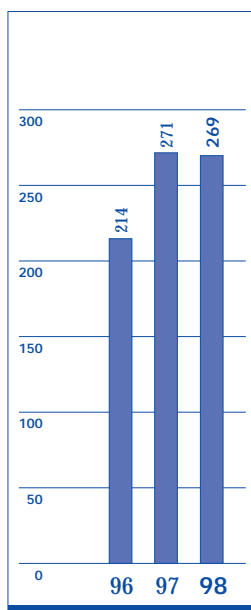
Analysis of Financial Position

Despite the increase in cash and cash equivalents, total current assets declined 1.8% to ¥3,701.6 billion, owing to such factors as lower levels of marketable securities and trade notes receivable. At the same time, total current liabilities rose 4.1% to ¥3,619.6 billion. Consequently, net working capital declined 72.1% to ¥82.0 billion.

Investments and non-current receivables increased 6.1% to ¥1,257.8 billion, mainly as a result of growth in investment securities and in long-term loans and receivables. Property and equipment, at cost, less accumulated depreciation, increased 9.1% to ¥385.6 billion.

Interest-bearing debt (short-term debt, commercial paper, current and long-term portions of long-term debt) increased ¥111.1 billion to ¥3,893.3 billion.

Total shareholders' equity edged down 0.6% to ¥269.3 billion as a result of lower retained earnings. Return on equity for the fiscal year was 1.1%.



Total Shareholders' Equity
(Billions of Yen)

CONSOLIDATED BALANCE SHEETS

| ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-------------------|-------------------|---------------------------------------|
| | 1998 | 1997 | 1998 |
| Current assets: | | | |
| Cash and cash equivalents (Note 4) | ¥ 297,777 | ¥ 142,704 | \$ 2,255,886 |
| Time deposits (Note 4) | 37,953 | 52,490 | 287,523 |
| Marketable securities (Notes 3 and 4) | 790,743 | 923,196 | 5,990,477 |
| Fund trust investments | 124,583 | 127,561 | 943,811 |
| Receivables: | | | |
| Trade notes (Note 4)..... | 346,914 | 451,617 | 2,628,136 |
| Trade accounts (Note 4) | 1,129,777 | 1,167,676 | 8,558,917 |
| Loans | 234,187 | 231,812 | 1,774,144 |
| Unconsolidated subsidiaries and affiliates | 67,844 | 64,027 | 513,970 |
| Allowance for doubtful receivables | (12,812) | (11,889) | (97,060) |
| Inventories..... | 461,047 | 407,630 | 3,492,780 |
| Advance payments to suppliers..... | 78,280 | 71,131 | 593,030 |
| Other current assets | 145,284 | 142,740 | 1,100,636 |
| Total current assets | 3,701,577 | 3,770,695 | 28,042,250 |
| Investments and non-current receivables: | | | |
| Investment securities (Notes 3 and 4) | 430,470 | 405,313 | 3,261,136 |
| Investments in and advances to unconsolidated subsidiaries and affiliates..... | 147,663 | 139,568 | 1,118,659 |
| Long-term loans and receivables..... | 723,288 | 683,855 | 5,479,455 |
| Allowance for doubtful receivables | (43,620) | (43,730) | (330,454) |
| | 1,257,801 | 1,185,006 | 9,528,796 |
| Property and equipment, at cost (Note 4): | | | |
| Land..... | 125,398 | 115,283 | 949,985 |
| Buildings and structures | 154,414 | 144,329 | 1,169,803 |
| Equipment and fixtures..... | 236,541 | 231,015 | 1,791,977 |
| Construction in progress | 27,031 | 13,164 | 204,780 |
| Accumulated depreciation | (157,779) | (150,390) | (1,195,295) |
| | 385,605 | 353,401 | 2,921,250 |
| Other assets: | | | |
| Foreign currency translation adjustments..... | 47,610 | 60,833 | 360,682 |
| Intangible assets and deferred charges | 48,045 | 44,555 | 363,977 |
| | ¥5,440,638 | ¥5,414,490 | \$41,216,955 |

See accompanying notes.

| LIABILITIES AND SHAREHOLDERS' EQUITY | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|------------------|------------------|---------------------------------------|
| | 1998 | 1997 | 1998 |
| Current liabilities: | | | |
| Short-term debt, principally unsecured (Notes 4 and 5) | ¥1,503,047 | ¥1,402,755 | \$11,386,720 |
| Commercial paper..... | 470,883 | 446,994 | 3,567,295 |
| Current portion of long-term debt (Notes 4 and 5) | 435,979 | 315,121 | 3,302,871 |
| Payables: | | | |
| Trade notes..... | 295,899 | 323,119 | 2,241,659 |
| Trade accounts..... | 644,660 | 741,738 | 4,883,788 |
| Unconsolidated subsidiaries and affiliates | 11,742 | 13,060 | 88,955 |
| Accrued liabilities | 42,236 | 39,193 | 319,970 |
| Income taxes payable..... | 7,973 | 8,834 | 60,402 |
| Advances received from customers..... | 74,924 | 69,623 | 567,606 |
| Other current liabilities | 132,218 | 116,584 | 1,001,651 |
| Total current liabilities..... | 3,619,561 | 3,477,021 | 27,420,917 |
| Non-current liabilities: | | | |
| Long-term debt, less current portion (Notes 4 and 5)..... | 1,483,414 | 1,617,304 | 11,237,985 |
| Employees' retirement benefits..... | 9,378 | 9,109 | 71,046 |
| Deferred income and other | 33,089 | 13,730 | 250,674 |
| | 1,525,881 | 1,640,143 | 11,559,705 |
| Minority interests in consolidated subsidiaries | 25,886 | 26,389 | 196,106 |
| Contingent liabilities (Note 9) | | | |
| Shareholders' equity: | | | |
| Common stock, par value ¥50 per share (Note 6) | 102,938 | 102,938 | 779,833 |
| Additional paid-in capital (Note 6) | 98,890 | 98,890 | 749,167 |
| Retained earnings: | | | |
| Legal reserve (Note 6)..... | 9,635 | 9,197 | 72,992 |
| Unappropriated | 57,851 | 59,914 | 438,265 |
| Treasury stock | (4) | (2) | (30) |
| Total shareholders' equity | 269,310 | 270,937 | 2,040,227 |
| | ¥5,440,638 | ¥5,414,490 | \$41,216,955 |

CONSOLIDATED STATEMENTS OF INCOME

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|------------|------------|------------------------------------|
| | 1998 | 1997 | 1996 | 1998 |
| Net sales (Total trading transactions) (Note 8)..... | ¥10,052,747 | ¥8,889,419 | ¥9,447,995 | \$76,157,174 |
| Cost of sales (Note 8)..... | 9,761,415 | 8,610,881 | 9,192,312 | 73,950,114 |
| Gross trading profit..... | 291,332 | 278,538 | 255,683 | 2,207,060 |
| Selling, general and administrative expenses..... | 231,657 | 230,351 | 215,783 | 1,754,977 |
| Operating income..... | 59,675 | 48,187 | 39,900 | 452,083 |
| Other income (expenses): | | | | |
| Interest and dividend income..... | 118,370 | 102,969 | 96,484 | 896,742 |
| Interest expense..... | (126,116) | (111,813) | (107,479) | (955,424) |
| Gain (loss) on sale of securities..... | (4,530) | 229 | 19,005 | (34,318) |
| Gain (loss) on disposal of properties..... | (1,823) | (804) | 2,781 | (13,811) |
| Loss on withdrawal from certain foreign operations..... | (1,375) | (265) | (1,721) | (10,417) |
| Foreign currency translation adjustments..... | — | — | 1,353 | — |
| Loss on the dissolution of subsidiaries and affiliates..... | (5,986) | (1,094) | (18,350) | (45,348) |
| Loss on disposal of fund trust investments..... | — | — | (35,293) | — |
| Other, net..... | (16,748) | (9,676) | (15,140) | (126,879) |
| Income (loss) before income taxes..... | 21,467 | 27,733 | (18,460) | 162,628 |
| Income taxes..... | 14,378 | 13,986 | 7,551 | 108,924 |
| Equity in earnings (losses) of unconsolidated subsidiaries and affiliates..... | (4,051) | 1,674 | 965 | (30,689) |
| Net income (loss)..... | ¥ 3,038 | ¥ 15,421 | ¥ (25,046) | \$ 23,015 |
| | | Yen | | U.S. cents |
| Net income (loss) per share..... | ¥ 3.47 | ¥ 18.38 | ¥ (31.94) | 2.63¢ |
| Net income per share – diluted..... | 3.24 | 17.04 | — | 2.45 |
| Cash dividends per share..... | 5.00 | 5.00 | 5.00 | 3.79 |

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|-----------------|-----------------|---------------------------------------|
| | 1998 | 1997 | 1996 | 1998 |
| Common stock (Note 6): | | | | |
| Balance at beginning of year | ¥102,938 | ¥ 79,898 | ¥ 79,869 | \$779,833 |
| Issuance of common stock..... | — | 23,040 | — | — |
| Conversion of convertible bonds | — | — | 29 | — |
| Balance at end of year | ¥102,938 | ¥102,938 | ¥ 79,898 | \$779,833 |
| Additional paid-in capital (Note 6): | | | | |
| Balance at beginning of year | ¥ 98,890 | ¥ 75,940 | ¥ 75,786 | \$749,167 |
| Issuance of common stock..... | — | 22,950 | — | — |
| Conversion of convertible bonds | — | — | 154 | — |
| Balance at end of year | ¥ 98,890 | ¥ 98,890 | ¥ 75,940 | \$749,167 |
| Legal reserve (Note 6): | | | | |
| Balance at beginning of year | ¥ 9,197 | ¥ 8,782 | ¥ 8,390 | \$ 69,674 |
| Transfer from unappropriated retained earnings..... | 438 | 415 | 392 | 3,318 |
| Balance at end of year | ¥ 9,635 | ¥ 9,197 | ¥ 8,782 | \$ 72,992 |
| Unappropriated retained earnings: | | | | |
| Balance at beginning of year | ¥ 59,914 | ¥ 49,188 | ¥ 79,503 | \$453,894 |
| Net income (loss) | 3,038 | 15,421 | (25,046) | 23,015 |
| Appropriation: | | | | |
| Cash dividends paid..... | (4,372) | (4,147) | (3,919) | (33,121) |
| Bonuses to directors and corporate auditors..... | (88) | (80) | (74) | (667) |
| Transfer to legal reserve..... | (438) | (415) | (392) | (3,318) |
| Effect arising from changes of subsidiaries and affiliates for consolidation..... | (203) | (53) | (26) | (1,538) |
| Foreign currency translation adjustments..... | — | — | (858) | — |
| Balance at end of year | ¥ 57,851 | ¥ 59,914 | ¥ 49,188 | \$438,265 |
| Number of shares of common stock authorized (thousands) | | | | |
| | 1,600,000 | 1,600,000 | 1,600,000 | |
| Number of shares of common stock issued (thousands): | | | | |
| At beginning of year..... | 874,432 | 784,432 | 783,866 | |
| Issuance of common stock..... | — | 90,000 | — | |
| Conversion of convertible bonds | — | — | 566 | |
| At end of year..... | 874,432 | 874,432 | 784,432 | |

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|-----------|------------|---------------------------------------|
| | 1998 | 1997 | 1996 | 1998 |
| Cash flows from operating activities: | | | | |
| Net income (loss) | ¥ 3,038 | ¥ 15,421 | ¥ (25,046) | \$ 23,015 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 26,195 | 18,826 | 16,678 | 198,447 |
| Loss (gain) on disposal of properties..... | 1,823 | 804 | (2,781) | 13,811 |
| Loss (gain) on sale of securities..... | 4,530 | (229) | (19,005) | 34,318 |
| Loss on disposal of fund trust investments | — | — | 35,293 | — |
| Deferred income taxes | (1,678) | (167) | (1,872) | (12,712) |
| Equity in losses (earnings) of unconsolidated subsidiaries and affiliates..... | 4,051 | (1,674) | (965) | 30,689 |
| Provision for doubtful receivables | 1,009 | 4,192 | 10,064 | 7,644 |
| Decrease (increase) in trade receivables | 124,042 | (31,534) | (89,477) | 939,712 |
| (Increase) decrease in inventories | (51,446) | (72,360) | 24,478 | (389,742) |
| Increase in other assets..... | (1,422) | (6,552) | (4,386) | (10,773) |
| Decrease in trade payables..... | (127,754) | (17,224) | (15,843) | (967,833) |
| (Decrease) increase in income taxes payable..... | (755) | 2,942 | (8,836) | (5,720) |
| Increase in other liabilities..... | 39,188 | 26,405 | 22,637 | 296,879 |
| Other | (258) | (2,787) | 12,926 | (1,955) |
| Net cash provided by (used in) operating activities.. | 20,563 | (63,937) | (46,135) | 155,780 |
| Cash flows from investing activities: | | | | |
| Decrease in time deposits..... | 10,785 | 155 | 11,325 | 81,704 |
| Proceeds from disposal of properties..... | 23,544 | 5,547 | 21,266 | 178,364 |
| Payments for property and equipment..... | (75,127) | (41,317) | (47,241) | (569,144) |
| Proceeds from sale of securities | 514,435 | 399,540 | 394,444 | 3,897,235 |
| Payments for purchase of securities..... | (404,385) | (481,388) | (349,219) | (3,063,523) |
| Decrease (increase) in short-term loans receivable | 4,887 | (30,442) | (35,047) | 37,023 |
| Additions to long-term loans receivable | (223,724) | (214,961) | (166,892) | (1,694,879) |
| Decrease in long-term loans receivable | 203,651 | 152,785 | 122,908 | 1,542,811 |
| Other..... | (3,977) | 7,664 | (730) | (30,129) |
| Net cash provided by (used in) investing activities.. | 50,089 | (202,417) | (49,186) | 379,462 |
| Cash flows from financing activities: | | | | |
| Increase (decrease) in short-term debt..... | 115,736 | (48,634) | 40,481 | 876,788 |
| Proceeds from issuance of bonds | 186,530 | 246,514 | 197,889 | 1,413,106 |
| Redemption of bonds | (225,118) | (108,794) | (74,612) | (1,705,439) |
| Proceeds from other long-term debt..... | 265,782 | 221,249 | 290,945 | 2,013,500 |
| Repayments of other long-term debt..... | (255,056) | (192,021) | (332,656) | (1,932,243) |
| Proceeds from issuance of common stock..... | — | 45,990 | — | — |
| Dividends paid | (4,372) | (4,147) | (3,919) | (33,121) |
| Net cash provided by financing activities..... | 83,502 | 160,157 | 118,128 | 632,591 |
| Effect of exchange rate changes on cash and cash equivalents | 919 | 3,999 | 5,006 | 6,962 |
| Net increase (decrease) in cash and cash equivalents..... | 155,073 | (102,198) | 27,813 | 1,174,795 |
| Cash and cash equivalents at beginning of year | 142,704 | 244,902 | 217,089 | 1,081,091 |
| Cash and cash equivalents at end of year..... | ¥ 297,777 | ¥ 142,704 | ¥ 244,902 | \$ 2,255,886 |
| Supplemental disclosure of cash flow information: | | | | |
| Cash paid during the year for: | | | | |
| Interest | ¥ 109,902 | ¥ 99,813 | ¥ 99,912 | \$ 832,591 |
| Income taxes..... | 16,669 | 9,769 | 24,341 | 126,280 |
| Non-cash financing activities: | | | | |
| Conversion of convertible bonds..... | — | — | 183 | — |

See accompanying notes.

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Nissho Iwai Corporation (the "Company") and its consolidated subsidiaries are stated in yen, the currency of the country in which the Company is incorporated and principally operates. The translation of yen amounts into United States dollar amounts for the year ended March 31, 1998, is included solely for the convenience of readers outside Japan and has been made at the rate of ¥132=U.S.\$1. It should be noted, however, that this translation should not be construed to imply that the yen amounts could be or could have been converted into United States dollars at the above or any other rate.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

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

Cash and cash equivalents

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

Allowance for doubtful receivables

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

Inventories

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

Marketable securities and investments

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

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

If significant impairment of value of an individual equity security or a fund trust investment (on a trust-by-trust basis)

is deemed permanent, cost is written down to recoverable value.

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

The effect of application of SFAS 115 at March 31, 1998 with respect to these subsidiaries would have increased marketable securities by ¥9,838 million (\$74,530 thousand), deferred income taxes by ¥3,935 million (\$29,811 thousand), and retained earnings by ¥5,903 million (\$44,720 thousand).

Property and equipment

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

Finance leases

Finance leases of the Company and its domestic subsidiaries which do not transfer ownership and do not have bargain purchase options are accounted for in the same manner as operating leases. Future minimum lease payments including finance charges, at March 31, 1998 as lessee under such leases were ¥8,333 million (\$63,129 thousand) of which ¥2,532 million (\$19,182 thousand) is due within one year. Lease payments for the years ended March 31, 1998 and 1997 were ¥1,463 million (\$11,083 thousand) and ¥1,434 million, respectively.

As lessor under such leases, future minimum lease payments including finance charges, at March 31, 1998 were ¥17,813 million (\$134,947 thousand) of which ¥5,347 million (\$40,508 thousand) is due within one year. Lease payments received for the years ended March 31, 1998 and 1997 were

¥4,347 million (\$32,932 thousand) and ¥3,494 million, respectively.

Translation of foreign currencies

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

—Receivables and payables denominated in foreign currencies—

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

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

—Foreign currency financial statements—

For 1998 and 1997 the financial statements of foreign consolidated subsidiaries and affiliates are translated at the year-end rate except for share capital accounts which are translated at historical rates and retained earnings which are translated initially at the rate in effect at the date of adopting the revised standard referred to above and subsequently at the historical rate. For 1996 foreign currency financial statements were translated at the year-end rate for monetary current assets and liabilities, retained earnings and net income, at historical rates for other balance sheet accounts, and at the annual average rates for revenue and expense accounts except for depreciation and amortization.

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

Net sales (total trading transactions) and related costs

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

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

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

With respect to precious metals dealing transactions, the recent globalization of markets and the increasing diversification of transactions aimed at market spreads have led to a large increase in the volume of such transactions which has diluted gross trading profit ratio. Since including such transactions with other trading transactions does not provide useful financial information, the Company, commencing April 1, 1996, has recorded only the net margin in total trading transactions. Net sales and related costs for the year ended March 31, 1996 would have each been reduced by ¥1,580,602 million, if the same accounting policy had been applied.

Deferred charges

Bond and stock issue expenses are amortized on the straight-line method over three years. Bond issue discounts are deferred and amortized on the straight-line method over the period through redemption.

Employees' retirement benefits

The Company has a lump-sum retirement benefit plan and a funded noncontributory pension plan generally covering all employees other than directors and corporate auditors. Under the terms of the lump-sum retirement benefit plan, eligible employees are entitled under most circumstances, upon mandatory retirement or earlier voluntary termination of employment, to lump-sum payments based on compensation at the time of retirement, years of service and other factors. Liability for employees' retirement benefits under the lump-sum benefit plan is provided to the maximum amount (40%) permitted by the Corporation Tax Law of Japan, based on the sum that would be required if all employees voluntarily retired at the balance sheet date. The funded pension plan covers substantially all employees and provides for lifetime annuity payments commencing at age 60. Past service costs are being funded over approximately 20 years. The assets of the pension fund amounted to ¥86,481 million (\$655,159 thousand) at March 31, 1998. The lump-sum benefit plan covers approximately 25% of the amount of severance payments and the pension plan covers the remaining portion. Certain of the consolidated subsidiaries also have retirement benefits and/or pension plans similar to those of the Company.

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

Income taxes

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

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

Amounts per share

The computation of net income (loss) per share is based on the weighted average number of shares of common stock outstanding during the relevant period. Diluted net income per share is computed based on the assumption that all dilutive convertible bonds were converted at the beginning of the year or later date of issuance.

Derivative instruments

The Company uses foreign exchange contracts, currency

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

3. MARKETABLE EQUITY SECURITIES

At March 31, 1998 and 1997, the aggregate book value, market value and net unrealized gain (loss) for marketable equity securities included in marketable and investment securities were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------|-----------------|----------|------------------------------|
| | 1998 | 1997 | 1998 |
| Book value included in: | | | |
| Marketable securities..... | ¥302,471 | ¥291,731 | \$2,291,447 |
| Investment securities..... | 68,357 | 62,957 | 517,856 |
| | 370,828 | 354,688 | 2,809,303 |
| Market value..... | 318,553 | 363,433 | 2,413,280 |
| Net unrealized gain (loss)..... | ¥ (52,275) | ¥ 8,745 | \$ (396,023) |

4. PLEDGED ASSETS

At March 31, 1998, the following assets were pledged as collateral for short-term debt of ¥50,641 million (\$383,644 thousand), long-term debt of ¥63,489 million (\$480,977 thousand) and transaction and other guarantees:

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|------------------------------|
| | | |
| Cash and cash equivalents and time deposits..... | ¥ 22,265 | \$ 168,674 |
| Trade notes and accounts receivable..... | 42,268 | 320,212 |
| Securities, principally marketable equity securities..... | 140,846 | 1,067,015 |
| Property and equipment, less accumulated depreciation..... | 52,051 | 394,326 |
| | ¥257,430 | \$1,950,227 |

5. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt was represented by short-term notes, generally for 90 days, bearing interest at annual rates ranging from 0.66% to 13.00% and from 0.62% to 10.38% at March 31, 1998 and 1997, respectively. The Company and its consolidated subsidiaries have had no difficulty in renewing such notes when they considered such renewals advisable.

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

and future indebtedness will be given upon the request of the bank, and that any collateral so provided will be applicable to all indebtedness due to such bank. In addition, the agreements provide that the bank has the right to off-set cash deposited against long-term borrowings that become due and, in case of default and certain other specified events, against all other debts payable to the bank. No such requests have been made to date.

A summary of long-term debt at March 31, 1998 and 1997, was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-------------------|-------------------|------------------------------|
| | 1998 | 1997 | 1998 |
| 6.4% bonds due 1997 payable in Japanese yen | ¥ — | ¥ 20,000 | \$ — |
| 4.45% bonds due 1997 payable in Japanese yen | — | 20,000 | — |
| 4.7% bonds due 1998 payable in Japanese yen | 29,500 | 30,000 | 223,485 |
| 3.9% bonds due 1998 payable in Japanese yen | — | 10,000 | — |
| 3.0% bonds due 1998 payable in Japanese yen | 10,000 | 10,000 | 75,758 |
| 5.0% bonds due 1998 payable in Australian dollars | 21,116 | 21,116 | 159,970 |
| 0.65% convertible bonds due 2003 payable in Japanese yen..... | 45,850 | 50,000 | 347,349 |
| 0.25% convertible bonds due 2003 payable in Japanese yen..... | 17,500 | 17,400 | 132,576 |
| 1.0% bonds due 2003 payable in Japanese yen, exchangeable for shares of a certain company | 12,500 | — | 94,697 |
| Floating rate notes maturing serially through 2007 payable in Japanese yen | 28,000 | 10,000 | 212,121 |
| Bonds maturing serially through 2003 payable in Japanese yen at interest rates of 1.55% to 4.4% | 175,000 | 90,000 | 1,325,757 |
| Floating rate notes due 1998 payable in U.S. dollars..... | 9,371 | 8,755 | 70,992 |
| Notes under medium-term note programmes maturing serially through 2008 at interest rates of 0.47% to 9.0% | 330,070 | 428,036 | 2,500,530 |
| Long-term loans, principally from commercial and trust banks and insurance companies, maturing serially through 2018 at interest rates of 0.43% to 10.90%..... | 982,523 | 1,016,109 | 7,443,356 |
| Long-term loans, from governmental financial institutions, principally The Export-Import Bank of Japan, maturing serially through 2020 at interest rates of 0.75% to 9.11% | 200,790 | 166,376 | 1,521,136 |
| Other long-term indebtedness, maturing serially through 2028 at interest rates of 1.60% to 6.96%..... | 57,173 | 34,633 | 433,129 |
| Total..... | 1,919,393 | 1,932,425 | 14,540,856 |
| Less current portion..... | 435,979 | 315,121 | 3,302,871 |
| | ¥1,483,414 | ¥1,617,304 | \$11,237,985 |

The aggregate annual amounts of long-term debt maturing in the years ending March 31, 1999 to 2004 and thereafter, are as follows:

| Years ending March 31 | Millions of yen | Thousands of U.S. dollars |
|---------------------------|-----------------|---------------------------|
| 1999..... | ¥ 435,979 | \$ 3,302,871 |
| 2000..... | 247,515 | 1,875,114 |
| 2001..... | 330,269 | 2,502,038 |
| 2002..... | 192,481 | 1,458,189 |
| 2003..... | 206,792 | 1,566,606 |
| 2004 and thereafter | 506,357 | 3,836,038 |
| | ¥1,919,393 | \$14,540,856 |

The conversion price per share of the 0.65% and 0.25% convertible bonds was ¥551 (\$4.17).

At March 31, 1998, 127,041,742 shares of common stock were reserved for conversion of the convertible bonds, including those held by consolidated subsidiaries.

6. SHAREHOLDERS' EQUITY

The Commercial Code of Japan provides that:

(a) The entire issue price of shares must be credited to common stock, with the provision that, by resolution of the Board of Directors, up to one-half of such issue price may be credited to additional paid-in capital, so long as the common stock is equal to at least the aggregate par value of the shares issued.

(b) An amount equal to at least 10% of cash appropriations of retained earnings shall be set aside as legal reserve until such reserve equals 25% of the stated capital. The legal reserve

may not be distributed to shareholders, but may be appropriated to eliminate or reduce a deficit, if any, by resolution of the shareholders, or it may be capitalized by resolution of the Board of Directors.

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

7. SEGMENT INFORMATION

The Company and its major consolidated subsidiaries operate in a single industry commonly classified as general trading companies. The activities include worldwide trading in various commodities, financing for customers and suppliers relating to such trading activities, and organizing and coordinating industrial projects on an international basis in conjunction with trading activities.

Segment information by geographic area was as follows:

Year ended March 31, 1998

Millions of yen

| | Japan | North America | Europe | Asia, Oceania | Other Areas | Elimination or Unallocated | Consolidated |
|------------------------------------|-------------|---------------|-----------|---------------|-------------|----------------------------|--------------|
| Total trading transactions: | | | | | | | |
| Outside customers..... | ¥ 8,225,575 | ¥ 1,090,466 | ¥ 267,748 | ¥ 404,693 | ¥ 64,265 | ¥ — | ¥10,052,747 |
| Inter-areas | 936,221 | 832,928 | 438,437 | 1,202,297 | 682 | (3,410,565) | — |
| Total | 9,161,796 | 1,923,394 | 706,185 | 1,606,990 | 64,947 | (3,410,565) | 10,052,747 |
| Operating expenses | 9,119,724 | 1,916,486 | 703,090 | 1,601,308 | 65,052 | (3,412,588) | 9,993,072 |
| Operating income (loss) | ¥ 42,072 | ¥ 6,908 | ¥ 3,095 | ¥ 5,682 | ¥ (105) | ¥ 2,023 | ¥ 59,675 |
| Assets | ¥ 3,734,802 | ¥ 465,416 | ¥ 986,285 | ¥ 505,783 | ¥ 257,652 | ¥ (509,300) | ¥ 5,440,638 |

Thousands of U.S. dollars

| | Japan | North America | Europe | Asia, Oceania | Other Areas | Elimination or Unallocated | Consolidated |
|------------------------------------|--------------|---------------|--------------|---------------|--------------|----------------------------|--------------|
| Total trading transactions: | | | | | | | |
| Outside customers..... | \$62,314,962 | \$ 8,261,106 | \$ 2,028,394 | \$ 3,065,856 | \$ 486,856 | \$ — | \$76,157,174 |
| Inter-areas | 7,092,583 | 6,310,061 | 3,321,492 | 9,108,311 | 5,167 | (25,837,614) | — |
| Total | 69,407,545 | 14,571,167 | 5,349,886 | 12,174,167 | 492,023 | (25,837,614) | 76,157,174 |
| Operating expenses | 69,088,818 | 14,518,834 | 5,326,439 | 12,131,122 | 492,818 | (25,852,940) | 75,705,091 |
| Operating income (loss) | \$ 318,727 | \$ 52,333 | \$ 23,447 | \$ 43,045 | \$ (795) | \$ 15,326 | \$ 452,083 |
| Assets | \$28,293,955 | \$ 3,525,879 | \$ 7,471,856 | \$ 3,831,689 | \$ 1,951,909 | \$ (3,858,333) | \$41,216,955 |

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

North AmericaU.S.A. and Canada
 EuropeUnited Kingdom and F.R. Germany
 Asia, OceaniaHong Kong and Singapore
 Other areas.....Central and South America and Africa

Year ended March 31, 1997

Millions of yen

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

Year ended March 31, 1996

Millions of yen

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

Included in assets in the elimination or unallocated column at March 31, 1998, 1997 and 1996 are foreign currency translation adjustments of ¥47,610 million (\$360,682 thousand), ¥60,833 million and ¥51,339 million, respectively.

Overseas trading transactions for the year ended March 31, 1998 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---------------------|-----------------|---------------------------|
| North America..... | ¥1,033,107 | \$ 7,826,568 |
| Europe | 457,257 | 3,464,068 |
| Asia, Oceania | 1,563,249 | 11,842,796 |
| Other areas..... | 961,570 | 7,284,621 |
| | ¥4,015,183 | \$30,418,053 |

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

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

Europe

Asia, Oceania

Other areas.....Central and South America

Overseas trading transactions for the years ended March 31, 1997 and 1996 were ¥3,267,300 million and ¥3,123,742 million, respectively. Overseas trading transactions include the total sales of the Company and the consolidated subsidiaries that occurred outside of Japan.

8. SALES TO AND PURCHASES FROM UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Sales to and purchases from unconsolidated subsidiaries and affiliates for the years ended March 31, were as follows:

| | Millions of yen | | | Thousands of U.S. dollars |
|-----------------|-----------------|----------|----------|---------------------------|
| | 1998 | 1997 | 1996 | 1998 |
| Net sales | ¥318,213 | ¥305,198 | ¥273,616 | \$2,410,705 |
| Purchases..... | 411,155 | 272,012 | 201,618 | 3,114,811 |

9. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 1998, were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| For repurchase of notes discounted and endorsed | ¥ 53,793 | \$ 407,523 |
| For guarantees of indebtedness to: | | |
| Unconsolidated subsidiaries and affiliates | 54,461 | 412,583 |
| Others | 138,515 | 1,049,356 |
| | ¥192,976 | \$1,461,939 |

10. SUBSEQUENT EVENTS

From April 15, 1998 to May 19, 1998, the Company issued 2.0% to 2.35% unsecured bonds due in 2002 and 2003 totaling ¥30,000 million (\$227,273 thousand).

On June 26, 1998, the shareholders of the Company

approved (1) payment of cash dividends to shareholders of record as of March 31, 1998 of ¥2.50 (1.9 ¢) per share for a total of ¥2,186 million (\$16,560 thousand) and (2) a transfer to legal reserve of ¥219 million (\$1,659 thousand).

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

We have audited the accompanying consolidated balance sheets of Nissho Iwai Corporation (a Japanese corporation) and subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 1998, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Nissho Iwai Corporation and subsidiaries as of March 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1998 in conformity with accounting principles generally accepted in Japan consistently applied during the periods, except for the change, with which we concur, made as of April 1, 1996 in the method of accounting for precious metals dealing transactions referred to in Note 2.

Also, in our opinion, the U. S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Osaka, Japan
June 26, 1998



Asahi & Co.
(Member Firm of Andersen Worldwide SC)

■ Domestic Offices: 35

■ Overseas Offices: 159

■ Domestic Subsidiaries and Affiliates: 284

■ Overseas Subsidiaries and Affiliates: 376

M Metals Group: 54
P Project & Contractor Business Group: 26
A Aerospace & Communication's Group: 38
E Energy & Chemicals Group: 66
C Consumer Products Group: 62
F Financial Products & Precious Metals Group: 8
O Others: 30

M Metals Group: 67
P Project & Contractor Business Group: 79
A Aerospace & Communication's Group: 80
E Energy & Chemicals Group: 38
C Consumer Products Group: 31
F Financial Products & Precious Metals Group: 11
O Others: 70

OFFICES

JAPAN

HEAD OFFICES:

OSAKA
 TOKYO

OTHER OFFICES:

NAGOYA (AICHI PREF.)
 KYUSHU (FUKUOKA PREF.)
 HOKKAIDO (HOKKAIDO PREF.)
 CHUGOKU (HIROSHIMA PREF.)

CHIBA (CHIBA PREF.)
 CHITA (AICHI PREF.)
 FUKUI (FUKUI PREF.)
 HAKODATE (HOKKAIDO PREF.)
 HAMAMATSU (SHIZUOKA PREF.)
 HIMEJI (HYOGO PREF.)
 HOKURIKU (TOYAMA PREF.)
 HOKKO (OSAKA PREF.)
 KAKOGAWA (HYOGO PREF.)
 KAMAISHI (IWATE PREF.)
 KANAZAWA (ISHIKAWA PREF.)
 KIMITSU (CHIBA PREF.)

KITA-KYUSHU (FUKUOKA PREF.)
 KOBE (HYOGO PREF.)
 MATSUYAMA (EHIME PREF.)
 MIZUSHIMA (OKAYAMA PREF.)
 MURORAN (HOKKAIDO PREF.)
 NAGANO (NAGANO PREF.)
 NAGASAKI (NAGASAKI PREF.)
 NAHA (OKINAWA PREF.)
 NIIGATA (NIIGATA PREF.)
 OITA (OITA PREF.)
 OKAYAMA (OKAYAMA PREF.)
 SAKAI (OSAKA PREF.)
 SHIZUOKA (SHIZUOKA PREF.)
 TAKAMATSU (KAGAWA PREF.)
 TOHOKU (MIYAGI PREF.)
 TOKUYAMA (YAMAGUCHI PREF.)
 UBE (YAMAGUCHI PREF.)

AMERICAS**CANADA**

NISSHO IWAI CANADA LTD.
TORONTO / VANCOUVER / INGERSOLL

U. S. A.

NISSHO IWAI AMERICAN CORPORATION
NEW YORK / CHARLOTTE / WASHINGTON /
ATLANTA / DETROIT / CLEVELAND /
NASHVILLE / CHICAGO / HOUSTON / LOS
ANGELES / SAN JOSE / SAN FRANCISCO /
PORTLAND / BELLEVUE / SEATTLE

MEXICO

NISSHO IWAI MEXICANA S.A. DE C.V.
MEXICO CITY / MONTERREY /
AGUASCALIENTES

PANAMA

NISSHO IWAI PANAMA INTERNATIONAL S.A.
PANAMA

*NISSHO IWAI DE CENTROAMERICA Y EL
CARIBE, S.A.*
PANAMA

GUATEMALA

*NISSHO IWAI DE CENTROAMERICA Y EL
CARIBE, S.A.*
GUATEMALA / SAN JOSE

COLOMBIA

NISSHO IWAI DE COLOMBIA S.A.
BOGOTA

VENEZUELA

NISSHO IWAI DE VENEZUELA C.A.
CARACAS

ECUADOR

NISSHO IWAI DEL ECUADOR S.A.
QUITO

PERU

NISSHO IWAI DEL PERU S.A.
LIMA

BRAZIL

NISSHO IWAI DO BRASIL S.A.
SÃO PAULO / RIO DE JANEIRO

ARGENTINE

NISSHO IWAI (ARGENTINA) S.A.
BUENOS AIRES

CHILE

NISSHO IWAI (CHILE) LTDA.
SANTIAGO

PARAGUAY

ASUNCION

CUBA

HABANA

EUROPE AND AFRICA**U.K.**

NISSHO IWAI EUROPE PLC
LONDON / ABERDEEN

NORWAY

NISSHO IWAI EUROPE PLC
OSLO

GERMANY

NISSHO IWAI DEUTSCHLAND GMBH
DÜSSELDORF / HAMBURG

FINLAND

NISSHO IWAI DEUTSCHLAND GMBH
HELSINKI

BELGIUM

N.V. NISSHO IWAI (BENELUX) S.A.
BRUSSELS

NETHERLANDS

N.V. NISSHO IWAI (BENELUX) S.A.
ROTTERDAM

FRANCE

NISSHO IWAI FRANCE S.A.
PARIS

ITALY

NISSHO IWAI ITALIA S.P.A.
MILANO

SPAIN

NISSHO IWAI IBERIA S.A.
MADRID

PORTUGAL

NISSHO IWAI IBERIA S.A.
LISBON

GREECE

PIRAEUS

AUSTRIA

WIEN

ROMANIA

BUCHAREST

POLAND

WARSZAWA

CZECH

PRAHA

HUNGARY

BUDAPEST

ALGERIA

ALGER

SOUTH AFRICA

JOHANNESBURG
CAPE TOWN

ZIMBABWE

HARARE

ZAIRE

KINSHASA

ANGOLA

LUANDA

NIGERIA

NISSHO IWAI (NIGERIA) LTD.
LAGOS

COTE D'IVOIRE

ABIDJAN

KENYA

NAIROBI

MIDDLE EAST, RUSSIA, ASIA AND OCEANIA**BAHRAIN**

BAHRAIN

NISSHO IWAI MIDDLE EAST E.C.
BAHRAIN

SAUDI ARABIA

JEDDAH
RIYADH
AL-KHOBAR

YEMEN

SANAA

KUWAIT

KUWAIT

QATAR

DOHA

U.A.E.

ABU DHABI
DUBAI

OMAN

MUSCAT

IRAQ

BAGHDAD

LEBANON

BEIRUT

JORDAN

AMMAN

EGYPT

CAIRO

IRAN*NISSHO IWAI CORPORATION, (IRAN) LTD.*
TEHERAN**TURKEY**ISTANBUL
ANKARA**ISRAEL**

TEL-AVIV

UZBEKISTAN

TASHKENT

AZERBAIDJAN

BAKU

KAZAKHSTAN

ALMATY

RUSSIAMOSCOW
KHABAROVSK
VLADIVOSTOK**UKRAINE**

KIEV

MONGOLIA

ULANBAATAR

INDIANEW DELHI
BOMBAY
PUNE
CALCUTTA
JAMSHEDPUR
MADRAS
BANGALORE**BANGLADESH**DHAKA
CHITTAGONG**PAKISTAN**KARACHI
ISLAMABAD
LAHORE**THAILAND***NISSHO IWAI (THAILAND) LIMITED*
PARTNERSHIP
BANGKOK*THAI SUNROCK COMPANY LTD.*
BANGKOK**MYANMAR**

YANGON

VIETNAMHANOI
HO CHI MINH CITY
DANANG
VUNG TAU**LAOS**

VIENTIANE

CAMBODIA

PHNOM PENH

MALAYSIAKUALA LUMPUR
KOTA KINABALU
KUCHING
MIRI*SUNROCK (MALAYSIA) SENDIRIAN BERHAD*
KUALA LUMPUR / PENANG**BRUNEI**

BRUNEI

SINGAPORE

SINGAPORE

NISSHO IWAI INTERNATIONAL
(SINGAPORE) LTD.
SINGAPORE**THE PHILIPPINES**

PHILIPPINE

INDONESIAJAKARTA
BANDUNG
SURABAYA*P.T. NISSHO IWAI INTERNATIONAL*
INDONESIA
JAKARTA**AUSTRALIA***NISSHO IWAI AUSTRALIA LIMITED*
SYDNEY / WOOL DEPT. / MELBOURNE /
PERTH / BRISBANE**PAPUA NEW GUINEA***NISSHO IWAI AUSTRALIA LIMITED*
PORT MORESBY**NEW ZEALAND***NISSHO IWAI NEW ZEALAND LIMITED*
AUCKLAND / MT. MAUNGANUI**KOREA**SEOUL
BUSAN
POHANG
KWANG-YANG*NISSHO IWAI KOREA CORPORATION*
SEOUL**TAIWAN**

TAIPEI

NISSHO IWAI TAIWAN CORPORATION
LIMITED
TAIPEI / KAOHSIUNG**CHINA**BEIJING
TIANJIN
QINGDAO
KUNMING
WUHAN
DALIAN
SHANGHAI
GUANGZHOU
NANJING
CHONGQING*NISSHO IWAI (CHINA) CO., LTD.*
BEIJING*NISSHO IWAI (SHANGHAI) CORPORATION*
SHANGHAI*NISSHO IWAI CORPORATION*
(DALIAN) LTD.
DALIAN*NISSHO IWAI (GUANGZHOU) CORPORATION*
GUANGZHOU*NISSHO IWAI (TIANJIN) CORPORATION*
TIANJIN*NISSHO IWAI (QINGDAO) CORPORATION*
QINGDAO*NISSHO IWAI HONG KONG CORPORATION*
LIMITED
HONG KONG / SHENZHEN / XIAMEN

MAJOR SUBSIDIARIES AND AFFILIATES

JAPAN

| | | |
|--|--|---|
| <p>M NI-METAL CO., LTD. <i>Delivery service operations</i></p> <p>ARIAKE STEEL CENTER CO., LTD. <i>Steel sheet and bar processing and warehousing</i></p> <p>SUZUYASU CORP. <i>Steel product sales</i></p> <p>NISSHO IWAI STEEL LEASING CO., LTD. <i>Construction material leasing</i></p> <p>KOMATSUGAWA KOKI K.K. <i>Light-gauge steel rolling</i></p> <p>WATAEI STEEL CO., LTD. <i>Steel product sales</i></p> <p>NISSHO IWAI STRUCTURAL STEEL CO., LTD. <i>Structural steel sales</i></p> <p>SHINKO KOHAN KAKO, LTD. <i>Steel service center</i></p> <p>CANOX CORP. <i>Steel product sales</i></p> <p>AIKI TEKKO HANBAI CO., LTD. <i>Steel product sales</i></p> <p>NI STEEL PRODUCTS CO., LTD. <i>Steel product wholesaling</i></p> <p>NI ALLOY STEEL CO., LTD. <i>Processing and sale of special steel sheet</i></p> <p>NI STAINLESS CENTER CO., LTD. <i>Processing and sale of stainless steel sheet</i></p> <p>TTC CO., LTD. <i>Manufacture and sale of screws and bolts</i></p> <p>TOPURA CO., LTD. <i>Manufacture and sale of screws and bolts</i></p> <p>KONDO STEEL WIRE CO., LTD. <i>Manufacture of parts for industrial chains</i></p> <p>O. F. INDUSTRIAL CO., LTD. <i>Special processing of stainless steel sheet</i></p> <p>NI STEEL TRADE CO., LTD. <i>Export/import of steel products</i></p> <p>NISSHO IWAI BENTONITE CO., LTD. <i>Bentonite powder and Volclay panel sales</i></p> <p>NIK METAL CORP. <i>Steel product sales</i></p> | <p>M ASAMI STEEL SERVICE CORP. <i>Processing and sale of thin steel sheet</i></p> <p>NORITAKE CAN CO., LTD. <i>Manufacture and sale of cans and metal receptacles</i></p> <p>UNIVERSAL PRINT CORP. <i>Print processing for cans</i></p> <p>UNICON CO., LTD. <i>Pail can manufacturing</i></p> <p>WEST JAPAN STAINLESS STEEL WIRE CO., LTD. <i>Stainless steel wire manufacturing</i></p> <p>SUNROCK OYODO CO., LTD. <i>Wire product manufacturing</i></p> <p>TEIMO CO., LTD. <i>Wire gauge manufacturing</i></p> <p>HIRONAKA METAL CORP. <i>Intermediate disposal of industrial waste</i></p> <p>IMARI STEEL CENTER CO., LTD. <i>Processing, sale and warehousing of steel</i></p> <p>KYOWA CORP. <i>Steel product sales</i></p> <p>ARAYA SPECIAL METAL CO., LTD. <i>Sale of steel pipes</i></p> <p>METAL ART CORP. <i>Steel forging</i></p> <p>SHINKO CORP. <i>Specialized trader of stainless steel</i></p> <p>NISSHO IWAI METAL & PRODUCT CORP. <i>Aluminum product sales and warehousing</i></p> <p>NISSHO IWAI NON-FERROUS METALS CORP. <i>Non-ferrous metals sales and rental</i></p> <p>NIHON SEIKO CO., LTD. <i>Antimony product manufacturing</i></p> <p>DAIDO LIGHT METAL INDUSTRY CO., LTD. <i>Processing of aluminum</i></p> <p>DAINIPPON FOIL INDUSTRIES CO., LTD. <i>Processing of food storage wrap</i></p> <p>ALTOWN CORP. <i>Sale and maintenance of automobiles</i></p> <p>NI STEEL SERVICE CORP. <i>Sale of steel products</i></p> | <p>M HAMAMATSU KOHAN KAKO CO., LTD. <i>Steel sheet shearing and slitting</i></p> <p>SHINSEI KOGYO CO., LTD. <i>Wire processing and sales</i></p> <p>P NISSHO IWAI CHEMIMAC TOKYO CORP. <i>Chemical machinery sales</i></p> <p>RIETSCHLE NI, LTD. <i>Vacuum pump import and sales</i></p> <p>NITEC CORP. <i>Heavy machinery and industrial equipment sales</i></p> <p>NISSHO IWAI MECHATRONICS CORP. <i>Factory automation system and equipment sales</i></p> <p>FORSTER JAPAN CORP. <i>Sales of humidified refrigerators</i></p> <p>SENDZIMIR JAPAN, LTD. <i>Sendzimir rolling mill manufacturing and sales</i></p> <p>NI CONSTRUCTION MACHINERY CORP. <i>Sales of construction machinery</i></p> <p>NISSHO IWAI TECMAC CORP. <i>Chemical machinery sales</i></p> <p>NISSHO IWAI INDUSTRIAL MACHINERY INC. <i>Industrial machinery sales</i></p> <p>FUJII WELDING CO., LTD. <i>Welding materials sales</i></p> <p>NI HOME CORP. <i>Private housing construction and development</i></p> <p>NISSHO IWAI HOUSING CORP. <i>Realtor; sales of private housing</i></p> <p>NI COMMUNITY CORP. <i>General maintenance of buildings and condominiums</i></p> <p>SUNROCK RESORT CO., LTD. <i>Hotel management</i></p> <p>NISSHO IWAI REAL ESTATE CORP. <i>Real estate development, sales, and brokerage</i></p> <p>TAKARAZUKA KAIHATSU CO., LTD. <i>Condominium development and sales</i></p> <p>G.L.G. CORP. <i>Manager of golf practice ranges</i></p> <p>YAMAGATA NEW CITY DEVELOPMENT CORP. <i>Real estate development and sales</i></p> |
|--|--|---|

P CHUBU NI MACHINERY CO., LTD.
Sale of industrial robots and machinery equipment

N-I-T CO., LTD.
Sale of cutting tools and robot components

CHUNICHI FASTENERS CO., LTD.
Fastener manufacturing

A N.I. EURO-MOTORS CO., LTD.
Sale of Porsche and Peugeot automobiles

NISSHO IWAI MOTOR SALES CORP.
Automotive import and sales

STERN NISHI IKEBUKURO CO., LTD.
Mercedes-Benz car sales

NICHIRIN CO., LTD.
Manufacture and sale of automobiles and industrial-use rubber hoses

KOKUSAI KISEN K.K.
Ship broker and agent

NIMAC CORP.
Marine and other machinery sales

FUJI BONDSTRAND CO., LTD.
Sale of FRP pipes

NISSIN GAS ENGINEERING LTD.
Sale of gas reliquefying devices

NISSHO IWAI AEROSPACE CORP.
Aircraft and parts import and sales

MEDIA LIBRARY INC.
Information-provision services

ATLUX CORP.
Information data processing

SATELLITE NEWS CORP.
Distribution of BBC World Service TV channels in Japan

N.I. TELECOM CORP.
Sales promotion of portable telecommunication services

NISSHO ELECTRONICS CORP.
Computer sales, rental, and data processing computer systems integrator

NI HIGH-TECHNOLOGY INC.
Mechanical engineering and equipment sales

JAPAN SATELLITE SYSTEMS INC.
Satellite communications services

A NIFTY CORP.
Computer communications services

K.K. USS JAPAN
Consignment for auction of used automobiles

JAPAN SPACELINK CORP.
Satellite communication provider

KITA CABLE TV CO., LTD.
CATV service in north ward of Tokyo

TOSHIMA CABLE NETWORK CO., LTD.
CATV services

AKITA CABLE NETWORK CO., LTD.
CATV services

NIPPON OUTSOURCING CORP.
Outsourcing and temporary employment services

PAY PER VIEW JAPAN, INC.
Broadcasting

E NICHIGETSU GAS SETSUBI K.K.
LPG sales

NISSHO GAS SUPPLY CORP.
LPG sales

EHIME NISSHO PROPANE CO., LTD.
LPG sales

HOKURIKU NISSHO PROPANE CO., LTD.
LPG sales

KOCHI NISSHO PROPANE CORP.
LPG sales

KOKUYO SEKIYU CO., LTD.
Petroleum product sales

NISSHO IWAI GAS CORP.
LPG sales

NISSEI CORP.
LPG sales

NISSHO PROPANE SEKIYU CORP.
LPG and petroleum product sales

NISSHO IWAI LIQUEFIED PETROLEUM GAS CO., LTD.
LPG and petroleum product sales

NISSHO IWAI SYSTEM SALES CO., LTD.
Computer sales and software development for LPG

NISSHO KOYU CO., LTD.
Petroleum product sales

E NISSHO IWAI PETROLEUM CORP.
Petroleum product and LPG sales

NISSHO IWAI PETROLEUM GAS CORP.
LPG import and sales

MIE NISSHO GAS CO., LTD.
LPG sales

TOYU CORP.
Tank leasing for chemical and petroleum products

TOKYO YUSO CORP.
Warehousing and tank leasing

NARA NISSHO PROPANE GAS CO., LTD.
LPG sales

K.K. N.I. AUTO SERVICE
Petroleum product sales and automobile maintenance

HIROSHIMA LP GAS TERMINAL CO., LTD.
LPG sales

HONMA NENRYO CORP.
LPG sales

NAGANO PROPANE GAS CO., LTD.
LPG sales

YOKKAICHI LPG TERMINAL CO., LTD.
LPG warehouse manager

JAPAN ENERGY SERVICE CORP.
Representative for LNG import

NUSANTARA GAS SERVICES CO., INC.
LNG import and sales

PACIFIC GAS CARRIERS CO., LTD.
Ship leasing and operation

ADVANCED INFORMATION TECHNOLOGY INC.
Computer systems integrator

TRANSNUCLEAR, LTD.
Transport of radioactive materials

YAHATA CONCRETE CO., LTD.
Manufacture and sale of ready-mixed concrete

NISSHO IWAI CEMENT CORP.
Wholesaling of cement, ready-mixed concrete, and other building materials

VERMITECH CORP.
Vermiculite processing

E YAHATA READY MIXED CONCRETE CO., LTD.
Manufacture and sale of ready-mixed concrete

NISSHO IWAI CERAMICS CORP.
Refractory raw material and nonmetallic mineral sales

NIPPON MONIER CO., LTD.
Manufacture and sale of roofing materials

HOKKO CHEMICAL CO., LTD.
Manufacture and sale of thinner; storage and transport of chemicals

TAIYO CHEMICAL INDUSTRY CO., LTD.
Vinyl chloride film manufacturing and sales

SAMBOW PLASTICS CO., LTD.
Vinyl chloride product manufacturing and sales

TAIHO FILM MANUFACTURING CO., LTD.
Manufacture and sale of polyethylene film

NISSHO IWAI CHEMICAL LTD.
Chemical product sales

NI CHEMICAL CORP.
Transport and leasing of tanks for chemical and petroleum products

NISSHO IWAI PLASTIC CORP.
Plastic product sales

TOHTO FUJIKURA SALES CO., LTD.
Vinyl chloride and synthetic resin film sales

TAKAFUJI CHEMICALS CO., LTD.
Vinyl chloride sheet and synthetic rubber products manufacturing

NI TECHNOPLAS CO., LTD.
Coloring and processing of ABS synthetic resin

TAKAICHI CO., LTD.
Polyethylene film manufacturing

UBE FILM, LTD.
Synthetic resin product manufacture and sales

DAIDO SHOKO CO., LTD.
Manufacture and sale of molded paper products

FUJI KAKO CO., LTD.
Plastic pipe manufacturing and sales

JAPAN WAVELOCK CO., LTD.
Plastics and textiles processing

MOPACK CO., LTD.
Manufacture and sale of synthetic resin

E DAIICHI KASEI CO., LTD.
Precision molding and assembly

IKKA KOSAN CO., LTD.
Sale of materials for plastic injector moldings

ICHIKOH INTERNATIONAL CO., LTD.
Synthetic resin material sales

TAFUNIC CO., LTD.
Manufacture and sale of agricultural film

C NISSHO IWAI BUILDING MATERIALS CORP.
Wholesaling of building materials

NI LUMBER CO., LTD.
Processing and wholesaling of lumber

HIRATORI YOSHIMOTO CO., LTD.
Lumber processing

FUKUSHIMA YOSHIMOTO CO., LTD.
Housing material sales

NICHIWA CORP.
Wholesaling of logs

NI HOUSING MATERIAL CO., LTD.
Housing material sales

NIPPON CROWN HOUSE CO., LTD.
Sale of wood-frame housing construction materials

NIKKEN HOME CO., LTD.
Construction works

SUZUKEN CORP.
Processing and wholesaling of lumber and housing materials

K.K. TSURUGAKO MOKUZAI RYUTSU CENTER
Lumber processing

YOSHIMOTO RINGYO CO., LTD.
Processing and wholesaling of lumber and housing materials

JUMBO PANEL CORP.
Construction material sales

TOKACHI YOSHIMOTO CO., LTD.
Manufacture and sale of logs, packing materials and woodchips

YOSHIMOTO PRE-CUT CENTER CO., LTD.
Processing of lumber

TORIN CO., LTD.
Wholesaling of logs and housing materials

C NCN CO., LTD.
Construction contracting for three-story wood-construction homes

TAKEHARA KOGYO CO., LTD.
Processing of lumber; manufacture and sale of particleboard

AISAN LUMBER CO., LTD.
Sale of lumber

KOHOKU VENEER CO., LTD.
Manufacture of plywood

OKAMURA SANKO CO., LTD.
Lumber and sale of building materials

NI PROMOTION CORP.
Consignment for marketing and promotion of sporting goods

NISSHO IWAI PAPER AND PULP CORP.
Import/export and wholesaling of paper and pulp

BEISEI INC.
Import tobacco leaf

NISSHO IWAI GENERAL MERCHANDISE CORP.
Import and wholesaling of cigarettes, shotguns and general merchandise

NI TOBACCO CORP.
Sales promotion of imported tobacco

NISSHO IWAI TEXTILE CO., LTD.
Finished textile goods sales

NISSHO IWAI APPAREL CO., LTD.
Garment manufacturing

NAPS CO., LTD.
Clothing testing, repairing and finishing

NISSHO IWAI TEXTILE MATERIALS CORP.
Import, export and domestic sales of textile materials

MARU HOME TEXTILE LTD.
Sale of beds and bedclothes

GEM CO., LTD.
Manufacture and wholesale and retail sale of men's apparel

CENTURY-YELL INC.
Wholesaler for men's suits

GEM SEWING CO., LTD.
Men's apparel manufacturer

C CENTURY TECHNO CORE CO., LTD.
Tailor-made men's apparel manufacturer

THE CHUO WOOLEN MILLS, LTD.
Wool spinning and weaving

NEW NOZAWA FOOD CORP.
Wholesale, polish and sale of rice

NISSHO IWAI DELICA CORP.
Wholesaling of meat and prepared foods

CITY FOODS INC.
Sale of meat and processed meat products

SAITAMA SHIMADAYA CORP.
Manufacture and sale of noodles

TOHSO FOODS CO., LTD.
Manufacture and processing of food products

SEASON & CO., LTD.
Management of Korean barbecue restaurants

SHIN-MEITO CO., LTD.
Sugar refining

SEAFESTA CORP.
Sale of marine products for the domestic market

NISSHO IWAI FOODS CORP.
Wholesaling of sugar and foodstuff

K.K. GR SYSTEM
Warehousing

NIKKO SHOKAI CO., LTD.
Import and wholesaling of food products

FUJI SEITO CO., LTD.
Sugar refining

FIRST OCEAN CO., LTD.
Import sale of marine products

K.K. NIF
Sale of processed foods

NIKKYO TRANSPORTATION AND
WAREHOUSING CO., LTD.
Transportation and warehousing

NI LOGISTICS CORP.
International and domestic transportation services

BRINK'S JAPAN LTD.
Transportation of valuables

F NISSHO IWAI FUTURES INC.
Futures commission merchant

THE ASTRAL CO., LTD.
Precious stone, pearl, and jewel wholesaling

NISSHO IWAI INSURANCE AGENCY CORP.
Insurance agency

SUNROCK INSURANCE AGENCY CORP.
Insurance agency

NISSHO IWAI SECURITIES CO., LTD.
Investment advisory business

O NISSHO IWAI SHIKOKU CORP.
Wholesaling

NISSHO IWAI TOHOKU CORP.
Wholesaling

KUSHIRO FUJISHO CO., LTD.
Temporary scaffolding equipment rental

NI-OVICO CORP.
Sale and leasing of steel

NI-FUJIX CO., LTD.
*Sale of building materials and leasing of temporary
construction materials*

NI-KATAWAKU CO., LTD.
Manufacture and sale of steel frameworks

ENSAI KOGYO K.K.
Sale and extraction of gravel

HOKUBAN KINZOKU CO., LTD.
Construction sheet metal works

KYODO NAMA CONCRETE CO., LTD.
Manufacture and sale of ready-mixed concrete

HOKUTAKU CONSTRUCTION INDUSTRY
CORP.
Civil engineering and construction works

FUKUOKA HEAT SUPPLY CO., LTD.
*Supply and sale of heat for regional air-
conditioning and hot water boilers*

KYUSHU NISSHO IWAI METAL CORP.
Metal sales

F R C INC.
Real estate rental management operations

TOYO METAL SERVICE CORP.
Sale of raw materials for steel mills

O ARIAKE OIL TERMINAL CO., LTD.
*Dealing, warehousing and shipping of petroleum
products*

NISHIMOTO SANGYO CORP.
Steel product sales

KYUKO SANGYO K.K.
Processing and sale of steel and scrap metal

KYUSHU STEEL CORP.
Steel bar manufacturing and sales

SANPUKU SHOJI CO., LTD.
Wholesaling of construction materials

P.O.V. ASSOCIATES INC.
Advertising agency

NISSHO IWAI INFOCOM SYSTEMS CO., LTD.
Computer operations, software, and programming

NI PERSONNEL CORP.
Temporary employment services

WORLD LEASING CORP.
Leasing

NI FINANCE CORP.
Financing

NI SERVICE CORP.
Business support services

NI TOURIST CORP.
Travel agency

SUNROCK CHUBU CO., LTD.
Business support services

AMERICAS

CANADA

M MONZEN STEEL INC.
Steel service centers

NISSHO IWAI COAL DEVELOPMENT
(CANADA) LTD.
Coal mine development, coal production, and sales

NISSHO IWAI MOLY RESOURCES, INC.
Mining operations

NIFAST CANADA CORP.
Fastener sales

O INGERSOLL MONZEN INC.
Warehousing

U.S.A.

M NIAC STEEL SALES, INC.
Sale of steel products

NI STEEL WIRE AMERICAN CORP.
Investment trust company participating in a steel wire secondary processing plant

ALLOY TOOL STEEL, INC.
Alloy steel processing and sales

KOSHUHA SPECIALTY STEEL INC.
Sale of steel for bearings and stainless steel wire

BERWICK STEEL COMPANY
Steel coil and sheet processing and sales

N-I ENERGY DEVELOPMENT, INC.
Pipe and tube import and sales

NIFAST CORP.
Fastener sales

MARUICHI AMERICAN CORP.
Steel pipe manufacturing and sales

TWN FASTENER INC.
Construction and industrial fastener manufacturing and sales

NAC RECYCLE, INC.
Recycling and sale of UBC and PET bottles

LABNAC, INC.
Recycling project for aluminum cans, plastic, and glass

SANSHIN INDUSTRIAL (USA) CORP.
Manufacture of press products for use in FD

NI NOBLE ALLOYS CORP.
Investment company for vanadium production

P MAZAK NISSHO IWAI CORP.
Import/sales of laser cutting machines

NICE INTERNATIONAL CORP.
Construction machinery sales

OAC INC.
Sales of ultraviolet exposure equipment and related parts

A NIM AUTOMOBILES, INC.
Nissan car sales

WEATHERFORD MOTORS, INC.
BMW car sales

N.I. MOTORS U.S.A., INC.
Holding company of automobile dealers

A NICHIRIN-FLEX U.S.A., INC.
Automobile hose manufacturing

NIMAC AMERICA, INC.
Sale of machinery for marine vessels

ASANO AMERICA, INC.
Sales of transmission gears and related products

NISSHO IWAI AEROSPACE (AMERICA) CORP.
Import and export of aircraft and related parts

N.I. HIGH TECH AMERICA, INC.
Research and fact-finding in computer software

NISSHO ELECTRONICS (U.S.A.) CORP.
Import/export of electronic machinery

NI HAWAII RESORT, INC.
Hotel investment

E BLNG INC.
LNG tanker navigation management

NATIONAL PIPE & PLASTICS INC.
Manufacture and sale of hard vinyl chloride pipes

IKKA TECHNOLOGY INC.
Manufacturing and sales of plastic parts and components

C NISSHO IWAI TEXTILE (U.S.A.) INC.
Fashion design and textile sales

NIAMAR INTERNATIONAL CORP.
Export/import of marine products

AUTRANS CORP.
Automobile parts distribution

SPECIALTY BAKERY PRODUCTS, INC.
Sale of frozen bread dough

F STAMFORD CAPITAL MANAGEMENT, INC.
Advisory services for commodity trading

NIKKYO U.S.A., INC.
Insurance operations

O N.I. INVESTMENT USA INC.
Investment business

NISCO STEEL SERVICES, INC.
Steel coil and sheet processing and sales

FEDERATED FINANCIAL RESERVE CORP.
Leasing

NI METAL PRODUCTS, INC.
Sales of copper tubing

O SUNROCK CAPITAL CORP.
Movables security financing

FEDERATED CAPITAL CORP.
Finance operations

AIRSHIP MANAGEMENT SERVICES, INC.
Aircraft management

RICHARD LEWIS COMMUNICATIONS, INC.
Advertising agency

SPECIALTY GRAINS, INC.
Contract farming of special corn

FEDERATED CAPITAL FINANCE CORP.
Special purpose corporation (SPC) for securitization

N.I. LOGISTICS AMERICAN CORP.
Logistics operation

GENEVA SUNROCK FINANCIAL CORP.
Nondepository bank for small business administration (SBA) loans

MEXICO

M SANSHIN DE MEXICO SA DE CV
Manufacture and sale of parts for metal presses

NICOMETAL MEXICANA, S.A. DE C.V.
Process and sale of steel sheet

SANOH INDUSTRIAL DE MEXICO S.A. DE C.V.
Brake-tube manufacturing

E CORPORACION PIPSA S.A. DE C.V.
Manufacturing and sales of lead-bearing chemicals

GUATEMALA

O PILONCITO VERDE S.A.
Production and sale of seedlings

VENEZUELA

A MMC AUTOMOTRIZ, S.A.
Mitsubishi auto assembly and sales

BRAZIL

C OMI-ZILLO-LORENZETTI S.A. INDUSTRIA TEXTIL
Cotton yarn spinning

O TERU-MED IMPORTACAO E EXPORTACAO LTDA.
Import and sale of medical treatment equipment

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| ARGENTINE | FRANCE | P ASIAN TRADE & LEASING CO., LTD. <i>Multifinance services</i> |
| O NI EQUIPAMIENTOS ARGENTINA S.A. <i>Sale of film and photographic paper</i> | M NISSHIN FRANCE S.A. <i>Stockholder and management company of Le Nikkel Corporation</i> | A GN LEASING CO., LTD. <i>Sale of automobiles by installment; dealer financing</i> |
| CHILE | PORTUGAL | E THAI CENTRAL CHEMICAL PUBLIC CO., LTD. <i>Fertilizer production and sales</i> |
| A AUTOMOTORIZ PROTON S.A. <i>Import and sales of Proton cars</i> | E NEMOTO PORTUGAL-QUIMICA FINA, LTDA. <i>Nonorganic fluoresent pigment manufacturing and sales</i> | C NIPPON HI-PACK (THAILAND) CO., LTD. <i>Manufacture and sale of packing materials</i> |
| EUROPE AND AFRICA | SPAIN | C SNB AGRIPRODUCTS LTD. <i>Crude rice bran oil production and sales</i> |
| U.K. | A KIA MOTOR ESPANA, S.A. <i>Distribution of Kia automobiles</i> | C TSR DEVELOPMENT CO., LTD. <i>Real estate and trade</i> |
| C AUTRANS EUROPE LTD. <i>Automobile parts distribution</i> | N NISSHO MOTOR ESPANA S.A. <i>Wholesaling of Indian-made automobiles</i> | C UNITED THAI LOGISTICS CO., LTD. <i>Transport and warehousing</i> |
| F NISSHO IWAI INTERNATIONAL FINANCE PLC. <i>Financial services</i> | POLAND | VIETNAM |
| O NI TUBULARS (UK) LTD. <i>Sale of pipes</i> | A TOYOTA MOTOR POLAND CO., LTD. <i>Toyota automobile and parts sales</i> | M VINANIC STEEL PROCESSING CO. <i>Cutting and processing of steel sheet</i> |
| NORWAY | ROMANIA | C VIETNAM JAPAN ALUMINIUM CO., LTD. <i>Aluminum extrusion products manufacturing and sales</i> |
| O I O S TUBULAR MANAGEMENT AS <i>Oil well pipe handling</i> | A TOYO MOTOR S.R.L. <i>Distribution of Toyota automobiles</i> | A VIETNAM SUZUKI CORP. <i>Suzuki automobile manufacturing and sales</i> |
| GERMANY | CZECH | C THE LONG BINH DEVELOPMENT INDUSTRIAL ZONE JOINT VENTURE <i>Operational company of the LONG BINH industrial complex in Vietnam</i> |
| P BLM BAUMASCHINEN UND HANDELS GMBH <i>Tractor sales</i> | M NIKOM A.S. <i>Ferrovandium production and sales</i> | E JAPAN VIETNAM FERTILIZER CO. <i>Production and sale of compound fertilizer</i> |
| D DAIHEN (OTC) DEUTSCHLAND VERTRIEBS GMBH <i>Welding-machine sales</i> | LIBERIA | C JAPAN PAPER TECHNOLOGY (VIETNAM) CO., LTD. <i>Manufacture and sale of paper bag products</i> |
| O ORC MANUFACTURING VERTRIEBS GMBH <i>Ultraviolet exposure equipment sales</i> | E MOL-NIC TRANSPORT LTD. <i>Investment company for LNG transport</i> | C VIETNAM-JAPAN CHIP CORP. <i>Afforestation and woodchip manufacture</i> |
| A AUTOHAUS HEINZ THOMAE GMBH <i>Toyota automobile and parts sales</i> | SOUTH AFRICA | MALAYSIA |
| BELGIUM | M NSA METALS (PROPRIETARY) LTD. <i>Finance company; sale of ferrochrome</i> | M COLD PARTS (MALAYSIA) SDN., BHD. <i>Marketing and sales of OA/AV parts</i> |
| P MAZAK NISSHO IWAI EUROPE N.V./S.A. <i>Laser cutting machine sales</i> | MIDDLE EAST, RUSSIA, ASIA AND OCEANIA | N NICOMSTEEL CENTRE (MALAYSIA) SDN., BHD. <i>Steel coil and sheet processing and sales</i> |
| IRELAND | RUSSIA | S SUNROCK STEEL CENTRE (MALAYSIA) SDN., BHD. <i>Steel coil and sheet processing and sales</i> |
| A SUNROCK AIRCRAFT CORPORATION LTD. <i>Aircraft operating leasing</i> | A VOSTOK TELECOM CO., LTD. <i>International telecommunication services</i> | |
| NETHERLANDS | THAILAND | |
| E TEIJIN KASEI EUROPE B.V. <i>Storage, repacking and shipping of polycarbonate plastic</i> | M NI STEEL SALES (THAILAND) CO., LTD. <i>Sale of steel products</i> | |
| | K KITZ (THAILAND) LTD. <i>Valve manufacturing and sales</i> | |

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| <p>A KAWASAKI MOTORS HOLDING (MALAYSIA) SDN., BHD. <i>Holding company of Kawasaki Motorcycles manufacturing plant</i></p> | <p>E AFC FERTILIZER AND CHEMICALS, INC. <i>Fertilizer production and sales</i></p> | <p>M KOBE ALUMINA ASSOCIATES (AUSTRALIA) PTY., LTD. <i>Alumina production</i></p> |
| <p>C SAMLING PLYWOOD (MIRI) SDN., BHD. <i>Plywood manufacturing</i></p> | <p>C AUTORANS PHILLIPINES CORP. <i>Warehousing and transport operations</i></p> | <p>A ANOGER AUTOMOBILES PTY., LTD. <i>Import and wholesale of commercial vehicles manufactured by TELCO of India</i></p> |
| <p>NIPPON HI PACK MALAYSIA SDN., BHD. <i>Pulp mold manufacturing and sales</i></p> | <p>INDONESIA</p> | <p>E CABLE SANDS PTY., LTD. <i>Holding company of rights to a mine lot in the Western Australia desert</i></p> |
| <p>SINGAPORE</p> | <p>M P.T. IRON WIRE WORKS INDONESIA <i>Steel wire manufacturing</i></p> | <p>CABLE SANDS (W.A.) PTY., LTD. <i>Holder of rights and facilities relating to iron mining</i></p> |
| <p>M N-I TUBULAR INTERNATIONAL PTE., LTD. <i>Sale of steel pipes</i></p> | <p>P.T. SESS INDONESIA <i>Steel stamping</i></p> | <p>COFFS HARBOUR RUTILE NO LIABILITY <i>Stockholding, and purchase and sale of chilled zircon</i></p> |
| <p>SINGAPORE ELECTRICAL STEEL SERVICES PTE. <i>Electrical steel processing and sales</i></p> | <p>P.T. NICORINDO BAJA <i>Steel sheet processing center for automobiles and consumer electronics</i></p> | <p>KATHLEEN INVESTMENTS (AUSTRALIA) PTY. LTD. <i>Stockholding of COFFS HARBOUR</i></p> |
| <p>MID-CONTINENT TURBULAR PTE., LTD. <i>Sale of oil well pipe equipment</i></p> | <p>P.T. INDONESIA STEEL TUBE WORKS LTD. <i>Steel tube manufacturing and sales</i></p> | <p>NISSHO IWAI MINERAL SANDS (AUSTRALIA) PTY., LTD. <i>Mineral resource development, production, and sales</i></p> |
| <p>NISSHIN INDUSTRY (SINGAPORE) PTE., LTD. <i>Copper tripod manufacturing</i></p> | <p>P P.T. MAHARAJA ARTHASTAR INDONESIA FINANCE <i>Multifinance services</i></p> | <p>RUTILE & ZIRCON MINES (NEWCASTLE) PTY. LTD. <i>Holder of rights and facilities relating to iron mining</i></p> |
| <p>ASIA CABLE ENGINEERING CO., PTE., LTD. <i>Cable outfitting and connection operations</i></p> | <p>A P.T. ARTHACAKRA MULTI FINANCE <i>Automobile leasing</i></p> | <p>R.Z.M. PTY., LTD. <i>Holder of rights and facilities relating to iron mining</i></p> |
| <p>P TAKARA ENGINEERING(S) PTE., LTD. <i>Transfer molds for controllers of semiconductor manufacturing and sales</i></p> | <p>P.T. NICO CENTRAL <i>Construction and management of office buildings</i></p> | <p>TITANIUM TECHNOLOGY (AUSTRALIA) LTD. <i>Holder of rights and facilities relating to iron mining</i></p> |
| <p>HOWA MACHINERY SINGAPORE PTE., LTD. <i>Import and sale of machine tools, and customer service</i></p> | <p>P.T. DEWATA WIBAWA <i>Operational body for condominium and housing lot development</i></p> | <p>CABLE SANDS INVESTMENTS PTY., LTD. <i>Development, production and sale of raw materials for mine products</i></p> |
| <p>E NISSHO IWAI PETROLEUM CO., (SINGAPORE) PTE., LTD. <i>Crude oil/oil products trading</i></p> | <p>E P.T. BERAU COAL <i>Coal mine development</i></p> | <p>CABLE SANDS HOLDING PTY., LTD. <i>Development, production and sale of raw materials for mine products</i></p> |
| <p>F NISSHO IWAI CAPITAL ASIA PTE., LTD. <i>Financial services</i></p> | <p>P.T. KALTIM METHANOL INDUSTRI <i>Manufacture and sale of methanol</i></p> | <p>NEW ZEALAND</p> |
| <p>UNIMAX INSURANCE PTE., LTD. <i>Reinsurance underwriting</i></p> | <p>C P.T. MITRA MUTIARA WOODTECH <i>Wooden interior products manufacturing</i></p> | <p>C NISSHO ROBERTS (N.Z.) LTD. <i>Wool buying and export</i></p> |
| <p>O NICO MARINE PTE., LTD. <i>Marine transport</i></p> | <p>AUSTRALIA</p> | <p>PAPUA NEW GUINEA</p> |
| <p>THE PHILIPPINES</p> | <p>M CATHERINE HILL RESOURCES PTY., LTD. <i>Coal mining</i></p> | <p>C STETTIN BAY LUMBER CO., PTY., LTD. <i>Afforestation, logging, and timber sawing</i></p> |
| <p>M COIL TECH MANILA, INC. <i>Steel sheet processing center</i></p> | <p>WINNIN PTY., LTD. <i>Coal mining</i></p> | |
| <p>A AICHI FORGING COMPANY OF ASIA, INC. <i>Manufacture and sale of steel forging equipment</i></p> | <p>WINVIEW PTY., LTD. <i>Holder of rights for coal mine income</i></p> | |
| <p>MITSUBISHI MOTORS PHILIPPINES CORP. <i>Mitsubishi auto import and assembly</i></p> | <p>NISSHO IWAI ALUMINA PTY., LTD. <i>Refinement and sale of aluminum</i></p> | |

KOREA

M MASAN STEEL TUBE WORKS CO., LTD.
Steel pipe manufacturing and sales

TAIWAN

C TNS LOGISTICS CORP.
Warehousing and logistics operations

CHINA

M SHUNDE HUARI STEEL COIL CENTER CO., LTD.
Steel service center

SHANGHAI JIARI PRECISE STEEL SHEET PRODUCTS CO., LTD.
Processing and sales of steel plates

TIANJIN RIHUA STEEL PRODUCTS CO., LTD.
Processing and sales of steel plates

MID-CONTINENT TUBULAR LTD.
Sale of oil well pipe equipment

NIFAST (SHANGHAI) CO., LTD.
Secondary iron rod products

SHENZHEN AERO-FASTENERS MANUFACTURING CO., LTD.
Fastener manufacturing

KAWAMURA PRECISION MATERIAL (WUXI) CO., LTD.
Manufacture and sale of capillary tubing for refrigerators and air conditioners

WELLING STEEL TRADING CO., LTD.
Investment operations for development of mining in China

P SHANGHAI GEZHOUBA-NI EQUIPMENT LEASING CORP.
Leasing operations

A WAN QUAN MANSION JOINT VENTURE CO., LTD.
Apartment leasing

ACTIVA LTD.
Warehouse leasing

GENRIGHT INVESTMENT LTD.
Development of a warehouse building in the Sha Tin district of Hong Kong

E DALIAN XIAOYANG METALLURGICAL MATERIALS CO., LTD.
Plant for test production of synthetic melt slag

E YINGKOU QUNXING SILICON CARBIDE CO., LTD.

Pulverization of silicon carbide ceramic

FANGCHENG GANG YUNYAN PHOSPHATE CO., LTD.
Pulverization, drying, and exporting of phosphate rock from Yunyan Province

SHANGHAI NEW WAKO PRECISION PLASTICS CO., LTD.
Precision mold injectors for plastics

SHANGHAI TOYO PLASTIC COLORANTS CO., LTD.
Coloring and processing of synthetic resin; production of compounds

TIANJIN BINHAI CHEMICAL STORAGE & TRANSPORTATION DEVELOPMENT CO., LTD.
Bulk chemical tank leasing

C WANTONG INTERNATIONAL LOGISTICS CO., LTD.
Warehousing and logistics

HI-PACK (HK) LTD.
Sale of packing materials

FASHION FORCE (HONG KONG) LTD.
Fabric sales

F SUNROCK INTERNATIONAL CO., LTD.
Insurance broker

DIRECTORS AND AUDITORS

(As of October 1, 1998)



PRESIDENT AND CEO

Masatake Kusamichi *Executive Director*

VICE CHAIRMAN

Matamitsu Goto *Executive Director*

EXECUTIVE VICE PRESIDENTS

Tatsuro Okada *Executive Director; Osaka Head Office;
Headquarters Building Construction
Office*

Masayoshi Toriumi *Executive Director*

SENIOR MANAGING DIRECTORS

Katsumi Yoshioka *Financial Products & Precious Metals
Group*

Toshihiro Tamura *Corporate Administration Group 1*

Toshihisa Kajiwara *Energy & Chemicals Group*

Yoshinori Takeda *Corporate Administration Group 2*

Kazuo Inohara *Metals Group*

Takayuki Mabuchi *Aerospace & Communication's Group*

MANAGING DIRECTORS

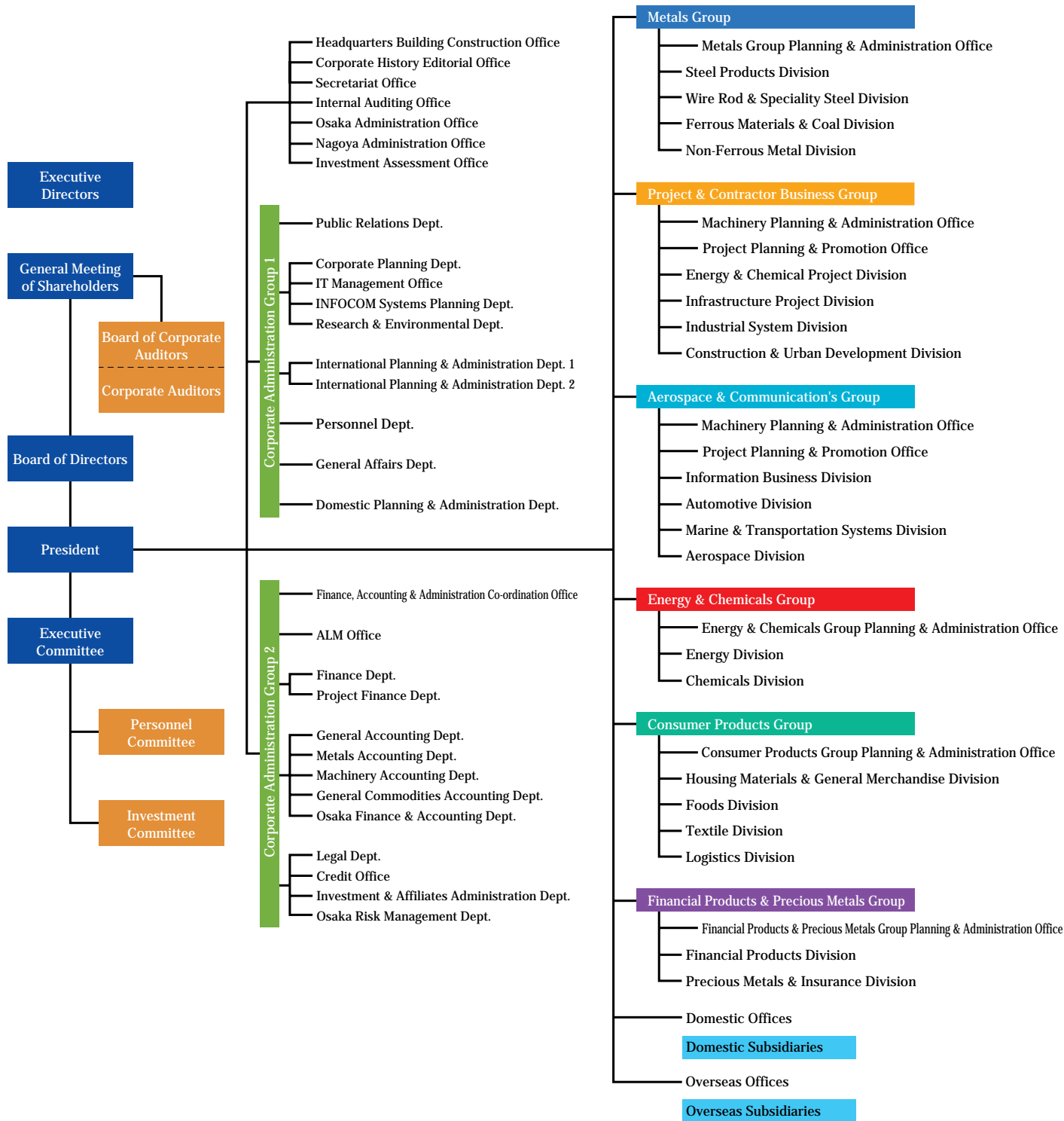
| | | | |
|--------------------|--|---------------------|---|
| Yoshito Otake | <i>General Manager, Nagoya Branch</i> | Masashi Mizutani | <i>General Manager, Steel Products Division</i> |
| Shoichi Tanaka | <i>Consumer Products Group</i> | Hidetoshi Nishimura | <i>General Manager for China; Chairman of Nissho Iwai (China) Co., Ltd.</i> |
| Hirohiko Kitazawa | <i>Finance and Project Finance, Corporate Administration Group 2</i> | Toma Masaoka | <i>Assistant to Aerospace & Communication's Group</i> |
| Takaharu Tanabe | <i>Assistant to Energy & Chemicals Group</i> | Shiro Yasutake | <i>Project & Contractor Business Group</i> |
| Yoshishige Aiikei | <i>The Americas; President of Nissho Iwai American Corporation and Nissho Iwai Canada Ltd.</i> | Kunio Morikiyo | <i>General Manager, Energy Division</i> |
| Sukeyoshi Watanabe | <i>General Manager for South-East Asia; Chairman of Nissho Iwai International (Singapore) Ltd.</i> | | |

DIRECTORS

| | | | |
|--------------------|---|--------------------|---|
| Sinpachi Hasegawa | <i>General Manager, Ferrous Materials & Coal Division</i> | Shoji Igarashi | <i>General Manager, Non-Ferrous Metal Division</i> |
| Kosaku Nakatani | <i>General Manager, Chemicals Division</i> | Mitsushi Kishimoto | <i>General Manager, Housing Materials & General Merchandise Division</i> |
| Kunio Yoshizawa | <i>General Manager, Wire Rod & Speciality Steel Division</i> | Sekio Hara | <i>General Manager, Energy & Chemical Project Division</i> |
| Kunihide Izumi | <i>General Manager, Aerospace Division</i> | Yoshitaka Matsuno | <i>Corporate Planning, IT Management, INFOCOM Systems Planning and Research & Environment, Corporate Administration Group 1</i> |
| Ryuji Hori | <i>General Affairs, Corporate Administration Group 1; Legal, Credit, Investment & Affiliates Administration and Osaka Risk Management, Corporate Administration Group 2</i> | Makoto Sunagawa | <i>General Manager, Project Planning & Promotion Office</i> |
| Masanobu Kondo | <i>The Americas; Executive Vice President of Nissho Iwai American Corporation</i> | Hiroaki Morohoshi | <i>Personnel, Corporate Administration Group 1</i> |
| Katsunori Kawamoto | <i>General Accounting, Metals Accounting, Machinery Accounting, General Commodities Accounting and Osaka Finance & Accounting, Corporate Administration Group 2</i> | Teruo Matsumura | <i>General Manager, Foods Division</i> |
| Tomoyoshi Kondo | <i>Europe & Africa; Managing Director of Nissho Iwai Europe PLC.</i> | Shintaro Hirata | <i>General Manager, Information Business Division</i> |
| | | Akio Toshikiyo | <i>General Manager, Textile Division</i> |

CORPORATE AUDITORS

Tsunemitsu Kitayama
 Masayoshi Honma
 Masaji Shinagawa
 Toshijitro Nakajima



The ownership and distribution of shares as of March 31, 1998, was as follows:

| | Number of shares owned (thousands) | Percentage of total shares outstanding |
|---|--|--|
| Financial institutions | 590,793 | 67.56% |
| Corporations | 105,216 | 12.03 |
| Individuals and others | 109,885 | 12.57 |
| Securities companies..... | 2,263 | 0.26 |
| Foreign corporations and individuals..... | 66,275 | 7.58 |
| Total..... | 874,432 | 100.00% |
| Business term ends: | March 31 | |
| General meeting of shareholders held: | June | |
| Newspaper in which public notice is made: | <i>The Nihon Keizai Shimbun</i> published in Osaka | |
| Share transfer agents: | The Toyo Trust & Banking Co., Ltd. Osaka Branch, Stock Transfer Department, 6-3, Fushimi-cho 3-chome, Chuo-ku, Osaka | |
| Agents' offices: | Head offices and branch offices of the Toyo Trust & Banking Co., Ltd., and the Nomura Securities Co., Ltd. | |

Common Stock Price Range

| | (Tokyo Stock Exchange) | |
|-----------------------|------------------------|-----|
| | High | Low |
| 1996 | | |
| January–March | 581 | 483 |
| April–June..... | 624 | 536 |
| July–September | 617 | 495 |
| October–December..... | 528 | 452 |
| 1997 | | |
| January–March | 466 | 370 |
| April–June..... | 520 | 381 |
| July–September | 522 | 411 |
| October–December..... | 464 | 205 |
| 1998 | | |
| January–March | 398 | 215 |

Corporate Data

(As of October 1, 1998)

| | |
|----------------------|---|
| Established: | February 8, 1928 |
| Headquarters: | Tokyo: 4-5, Akasaka 2-chome, Minato-ku, Tokyo 107-8655 Tel. (03) 3588-2111 Osaka: 5-8, Imabashi 2-chome, Chuo-ku, Osaka 541-8558 Tel. (06) 209-2111* |
| Number of employees: | Japanese: 4,112 Foreign nationals: 2,083** |
| Number of offices: | Domestic: 35 Overseas: 159 |

*Effective January 1, 1999, the number will change to (06) 6209-2111.

**Foreign nationals figure only is as of September 30, 1998.

Additional copies of this annual report and other publications are available upon request from the Public Relations Dept., Nissho Iwai Corporation, 4-5, Akasaka 2-chome, Minato-ku, Tokyo 107-8655, Japan
Tel: (03) 3588-4017
Home page: <http://www.nisshoiwai.co.jp/>

NISSHO IWAI CORPORATION
4-5, Akasaka 2-chome, Minato-ku, Tokyo 107-8655, Japan

