

TOMEN CORPORATION

Building  
Customer  
Confidence

Annual Report  
and  
Company Brochure

2003

## PROFILE

Tomen Corporation is a leading general trading company with its headquarters in Japan and with branches, offices and subsidiaries in major cities throughout the world. Our corporate philosophy, “a value trader,” conveys our goal of being a trader in value: that is, a company that uses optimal means to deliver the true value required by customers and society, thus creating new value for the next-generation society. In March 2003, Tomen started the “Tomen Group Medium-term Management Plan” aimed at increasing both marketplace confidence in our company and promoting Tomen as a truly competitive corporation by promoting business reorganization and reducing costs, with the goal of management integration with Toyota Tsusho.

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## FINANCIAL HIGHLIGHTS

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
For the years ended March 31,	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2003</b>
<b>Total Trading Transactions</b>	¥2,082,898	¥2,384,848	¥2,516,523	\$17,328,602
<b>Gross Trading Profit</b>	113,122	117,593	121,718	941,115
<b>Operating Income</b>	25,661	25,198	34,855	213,486
<b>Net Income (Loss)</b>	(66,970)	4,711	10,097	(557,155)
As of March 31,				
<b>Total Assets</b>	¥971,713	¥1,448,261	¥1,551,265	\$8,084,135
<b>Stockholders' Equity</b>	13,862	4,663	8,278	115,325
Per share amounts		Yen		U.S. Cents
<b>Net Income (Loss)</b>	¥(105.58)	¥7.39	¥16.70	¢(87.84)
<b>Cash Dividends</b>	—	—	—	

Note: U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥120.2=\$1. (See Note 3 of Notes to Consolidated Financial Statements.)

### FORWARD-LOOKING STATEMENTS:

Statements contained in this report with respect to Tomen Corporation's plans, strategies and beliefs that are not historical facts are forward-looking statements about the future performance of the Tomen Group and are based on management's assumptions and beliefs in light of the information currently available to it. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Tomen Corporation's actual results, performance or achievements to differ materially from the expectations expressed herein.

## MESSAGE FROM THE MANAGEMENT



*Shigeru Shimazaki*  
Chairman

*Mahito Kageyama*  
President

Dear Shareholders,

We are pleased to address you as the new Chairman and President, and we extend our thanks for your support of the entire Tomen Group during this time of transition and progress.

In December 2002, the “Tomen Group Medium-term Management Plan” was formulated. The goal of the plan remains to strengthen market confidence in Tomen. With the aim of management integration between Tomen and our biggest shareholder, Toyota Tsusho, the entire Tomen Group will work to ensure the success of managing for consistent growth, through measures that will include extensive business restructuring, strengthening of cost competitiveness and major reductions in assets and liabilities.

We have taken office at a challenging time. However, we are committed to prompt and decisive actions that will allow Tomen to translate its extensive experience, expertise and highly skilled human resources into real value.

On behalf of the Board of Directors and our employees, we seek your confidence and ask for your support and cooperation.

## OVERVIEW OF BUSINESS PERFORMANCE IN THE YEAR ENDED MARCH 2003

Global deflationary pressures intensified throughout the year ended March 2003. There were growing signs of pressure on the world economy, not the least of which came from the Middle East. In Japan, balance sheets continued to deteriorate because of falling land and share prices, and the generally poor performance of the domestic economy.

In addition to the deteriorating business environment, Tomen's withdrawal from unprofitable and inefficient business activities affected total trading transactions, which were ¥302.0 billion below the previous year's level at ¥2,082.9 billion (US\$17,329 million). Operating income increased by ¥0.5 billion to ¥25.7 billion (US\$213 million), thanks to our efforts to minimize selling, general and administrative expenses through aggressive cost-cutting. Accompanying the change of management policies based on the "Tomen Group Medium-term Management Plan" announced in December 2002, a loss on business restructuring of ¥113.5 billion, resulting from reduction of risky assets such as real estate, was recorded in other income (expenses). As a result, there was a net loss of ¥67.0 billion (US\$557 million). The net result of measures taken during the period was to pave the way for future prosperity.

## THE TOMEN GROUP MEDIUM-TERM MANAGEMENT PLAN

With the support and understanding of all stakeholders, including shareholders, business partners and financial institutions, we have been working since March 2000 to rebuild Tomen's profit-making structure and achieve a substantial improvement in financial structure under the "Tomen Renovation Plan." We have made significant progress, including withdrawal from unprofitable and inefficient business areas and the reduction of interest-bearing debt.

However, uncertainty remains in the business environment. The task for Tomen leadership is to minimize the impact of continuing risk while strengthening shareholders' equity and improving the financial structure of Tomen. That is the goal of the "Tomen Group Medium-term Management Plan" and we will pursue it with haste.

We are committed to this major business reorganization and cost-cutting, and we are determined to build customer confidence in Tomen. We aim to build a sound group structure and prepare for future integration with Toyota Tsusho.

June 27, 2003

  
Shigeru Shimazaki  
Chairman

  
Masato Kageyama  
President

## AN INTERVIEW WITH THE PRESIDENT

*Mahito Kageyama, President*



### {QUESTION 01}

## What is the key focus of the “Tomen Group Medium-term Management Plan”?

**{ANSWER 01}** Under the 1998 “Restructuring Plan” and the 2000 “Tomen Renovation Plan,” Tomen has disposed of real estate and other assets that were showing book losses. With the support and cooperation of our business partners, financial institutions, shareholders and other stakeholders, the foundation-building process of asset liquidation was mostly completed during the year ended March 2003.

In simple terms, the core focus of the “Tomen Group Medium-term Management Plan” is to limit risk while further strengthening our earning power, with the emphasis on efficiency. We will also work to expand shareholders’ equity and improve our financial fundamentals by maintaining steady income flows.

In view of the present economic situation, in the “Tomen Group Medium-term Management Plan,” we have assumed that total trading transactions will remain basically static

during the plan’s period, until the year ending March 2006. We plan to achieve steady growth in operating income and ordinary income through measures targeting cost reductions and efficiency improvements. The plan is basically a conservative one.

We also aim to achieve major reductions in our assets and liabilities. Our target under the plan is to reduce total assets to ¥735 billion and interest-bearing debt to ¥463 billion by the end of March 2006.

Of course, we also need to maintain our efforts to build the foundations for Tomen’s sustainable growth and development, and to sow the seeds of future success. Our surgical treatment was completed in the year ended March 2003. We must focus now on the internal treatment needed to improve our soundness and develop underlying strength to support true growth and success.

## {QUESTION 02}

### What steps will you take to strengthen the capital and business alliance with the Toyota Group?

**{ANSWER 02}** Basic agreement concerning Tomen's future management integration with Toyota Tsusho has already been reached.

In September 2000, Toyota Tsusho became Tomen's largest shareholder, with 11.5% of our shares. And, in September 2003, Toyota Tsusho and Toyota Motor acquired new equity worth approximately ¥10 billion. After the acquisition, Toyota Tsusho owns approximately 20% of Tomen's shares and Toyota Motor approximately 11%, bringing the total shareholding of seven companies of Toyota Group to around 35%.

As far as operational links are concerned, we have already transferred part of our business in the areas of steel, non-ferrous metals and textile machines to Toyota Tsusho. Other channels for collaboration include reciprocal equity investment in businesses, including Arysta LifeScience, Shanghai Hong Ri

International Electronics, and Care Port Japan, and joint use of physical distribution depots and sales channels.

We can look forward to three additional benefits from our alliance with the Toyota Group. First, with the implementation of Toyota management methods, we will reap immediate cost reduction benefits resulting from changes to our physical distribution and inventory systems. Second, we will benefit from links with Toyota Group companies. And, third, we can look forward to business expansion through the combination of Tomen's and Toyota Tsusho's business functions and operations. Tomen's close relationships and ability to do business with so many excellent companies is another significant asset.

Although the activities leading to the alliance have just begun, we are confident that the expertise accumulated by Tomen through its many years of experience will bring important benefits to Toyota Group companies.

#### NUMERICAL TARGETS

Billions of Yen

Years ended March 31,	2002	2003	2004	2005	2006
Total Trading Transactions	2,384.8	2,082.9	1,550.0	1,535.7	1,535.7
Gross Trading Profit	117.6	113.1	85.0	83.5	84.0
Selling, General & Administrative Expenses	92.4	87.5	57.5	50.7	50.7
Operating Income	25.2	25.7	27.5	32.8	33.3
Ordinary Income*	23.2	13.7	20.0	23.5	25.0

\*Ordinary income means income that regular business activities produce repeatedly and ordinarily each term. In other words, ordinary income is incomes (Total trading transactions – Cost of trading transactions – Selling, general and administrative expenses), which the principal activities of business ordinarily produce, plus non-operating income/loss, which other activities of business, mainly financial activities, ordinarily produce.

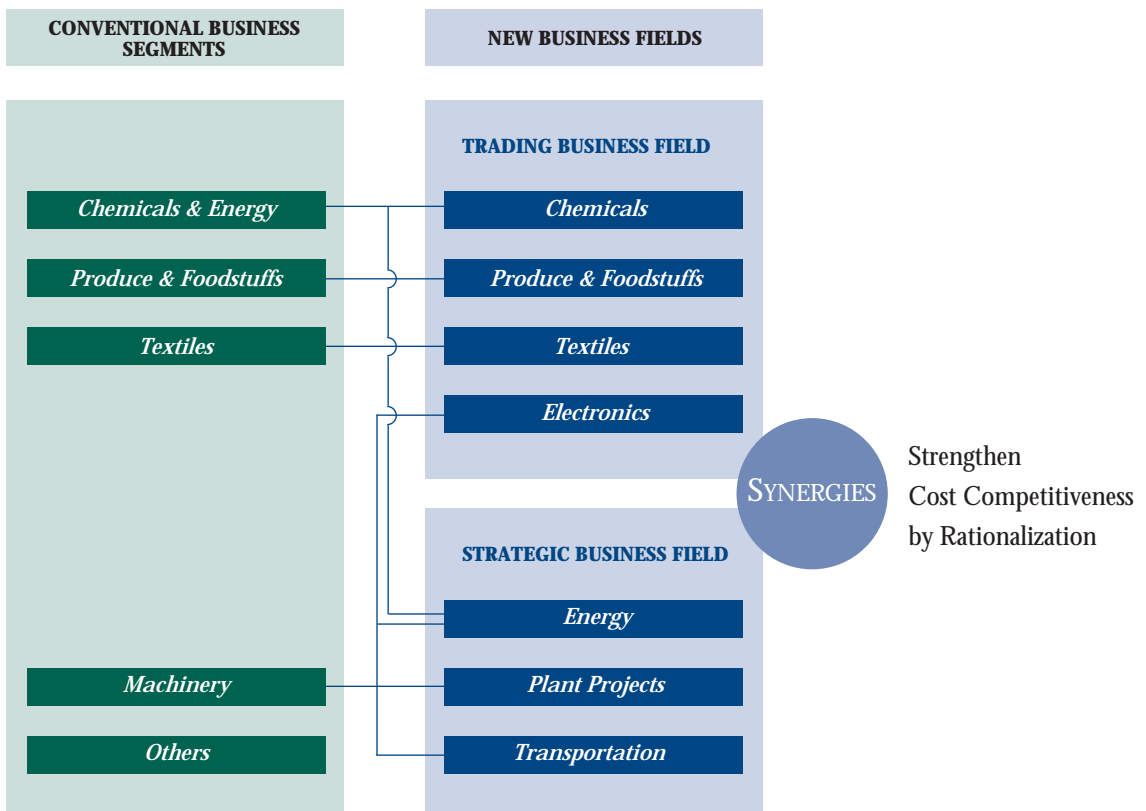
### {QUESTION 03}

## What measures will be used to generate consistent income flows?

**{ANSWER 03}** The establishment of a consistent income structure is one of the goals of the “Tomen Group Medium-term Management Plan.” To achieve this goal, we are strengthening our cost competitiveness and reorganizing our business operations. There are some business areas in which Tomen has always maintained stable income flows. There are others in which Tomen’s sophisticated project formation and organizing

capabilities have made it one of the leading companies in Japan. The former type of business is characterized by the ability to generate income over short time frames solely on the basis of credit risk, the latter over long time frames by country risk and business risk. We have restructured our operations, with the former type of business classified as the trading business field, and the latter as the strategic business field.

### BUSINESS REORGANIZATION FOR STABLE INCOME





In each category, we established risk management and business management systems that reflect the characteristics of the particular type of business.

We have classified produce & foodstuffs, chemicals, textiles and electronics as the trading business field. Business operations in the strategic business field include crude oil importing from the Middle East, infrastructure and projects in the petroleum gas field and wind power generation.

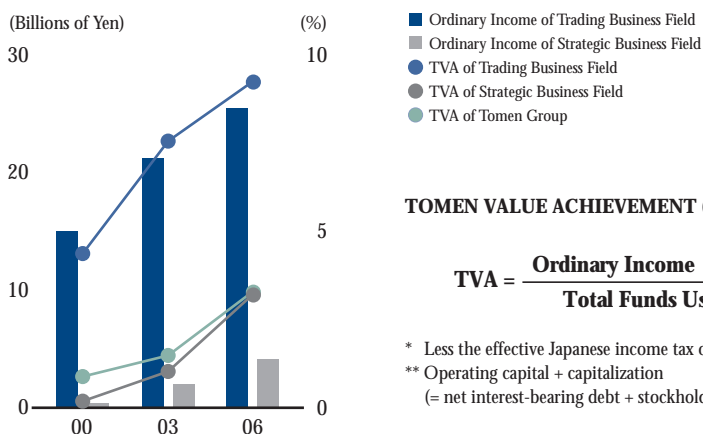
For our trading business field, we have established a framework that allows us to maintain stable income flows in any economic environment. We plan to strengthen and expand operations in this category. Our goal is to increase its contribution to total gross trading profit from around 55% in

the year ended March 2003 to around 70% in the year to March 2006.

Tomen has unique advantages in the strategic business field, and we aim to strengthen and expand our advantages while improving financial efficiency and minimizing risk.

We have introduced a unique indicator to qualify financial efficiency called “Tomen Value Achievement” (TVA). TVA is calculated by dividing ordinary income, less 40% income tax, by total funds used, which is the sum of operating capital and capitalization. It indicates our ability to generate the greatest possible income from the smallest amount of funds.

### ORDINARY INCOME AND TVA



### TOMEN VALUE ACHIEVEMENT (TVA)

$$TVA = \frac{\text{Ordinary Income} \times 60\%^*}{\text{Total Funds Used}^{**}}$$

\* Less the effective Japanese income tax of 40%

\*\* Operating capital + capitalization

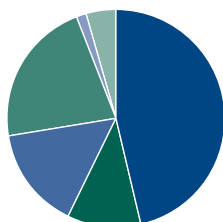
(= net interest-bearing debt + stockholders' equity)

### NUMERICAL TARGETS

Years ended March 31,	Billions of Yen		
	2002	2003	2006
Tomen Value Achievement (TVA) (%)	—	1.4	3.3
Total Assets	1,448.3	971.7	735.0
Interest-bearing Debt	1,112.0	659.9	463.0
Stockholders' Equity	4.7	13.9	45.0
Net Debt/Equity Ratio (Times)	203	40.8	9.1
ROA (%)	0.3	—	1.1
ROE (%)	72.8	—	18.5

# TOMEN GROUP'S BUSINESS OVERVIEW

## TRADING TRANSACTIONS BY SEGMENT



- CHEMICALS & ENERGY
- PRODUCE & FOODSTUFFS
- TEXTILES
- MACHINERY
- CONSTRUCTION & REAL ESTATE
- OTHERS

Operating income of each segment in the Tomen Group's Business Overview and Segment Review sections does not include adjustments and eliminations of inter-segment profit and unaffiliated customer transactions.

Effective from the year ended March 31, 2001, the Produce & Provisions segment was renamed the Produce & Foodstuffs segment. There has been no change in the scope of activities in this segment.

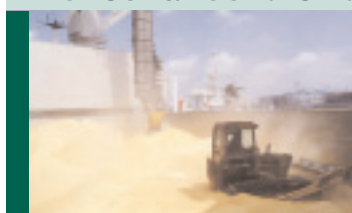
## Business Segments

### CHEMICALS & ENERGY



In the chemicals sector, Tomen offers a wide range of products including petrochemical products, inorganic fine chemicals, agrochemicals (chemical pesticides, biological pesticides) and synthetic resins. In the energy sector, we supply crude oil, liquefied gas and other petroleum products.

### PRODUCE & FOODSTUFFS



Tomen offers a broad range of products in the produce & foodstuffs sector, including highly cost-competitive livestock feeds, grains, oils and fats, sugar, farm and marine produce, liquor, Chinese food ingredients and general foodstuffs.

### TEXTILES



Tomen's strengths in the textiles sector include high-tech materials, the brand licensing business, and the environment-related business. We develop high-tech materials, based on our original planning and design in alliance with textile manufacturers, and supply them to users throughout the world.

### MACHINERY



Tomen engages in broad-ranging businesses in the machinery sector, mainly the electronics business, power supply business and plant projects. Other businesses include construction and industrial machines and transportation equipment including automobiles.

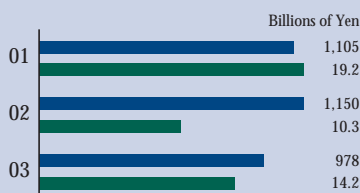
### CONSTRUCTION & REAL ESTATE

Tomen engages in real estate trading, renting and intermediation, construction and civil-engineering contracting and design supervision. Per the management plan, Tomen has disposed of most of its real estate and is withdrawing from this business.

### OTHERS

Businesses in this sector include coal, lumber, plywood, construction materials, data processing and logistics.

## Trading Transactions and Operating Income

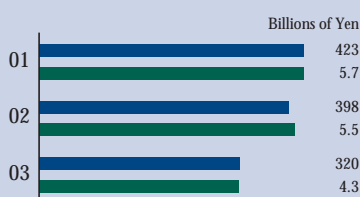


## Review of Fiscal 2003

- Revenues from crude oil decreased, and trading transactions fell 14.9% compared to the previous year.
- As a result of recovery in demand and de-bottlenecking of the production line that boosted production capacity, SMI experienced a sharp upturn in business performance. Operating income surged 37.2% year on year.
- In September 2002, Olympus Capital Holdings Asia, an investment management firm, made an investment in Arysta LifeScience.



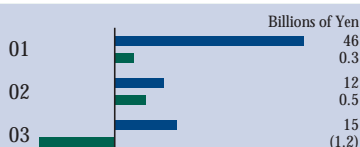
- Despite solid performance from mainstay livestock feeds, trading transactions fell 13.5% and operating income fell 17.8% year on year due to a deteriorating food market.



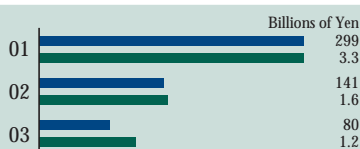
- Although mainstay high-tech materials performed well, the slump in personal consumption, pervasive consumer price consciousness, and other factors contributed to a 19.6% decrease in trading transactions and a 22.6% decrease in operating income from the previous year.
- Tomen commenced sales of Tetratex high-tech material.
- Tomen established a plant for manufacturing carpets made from recycled PET bottles in Tianjin, China in a joint venture with Negoro Sangyo.



- Favorable business conditions at electronics companies and strong automobile exports led to a 10.1% increase in trading transactions and a 27.0% increase in operating income year on year.
- Tomen Devices was listed on the JASDAQ market in June 2002.
- In September 2002, Tokyo Electric Power Company made a 50% investment in a global wind power generation company, Tomen Power Holdings, to form Eurus Energy Holdings.
- In December 2002, a consortium of Tomen, Kawasaki Heavy Industries and an Iranian company won an order valued at ¥32 billion for an ammonia/urea fertilizer plant in Iran.



- As a result of focusing on disposition of existing projects, trading transactions increased 21.5% compared to the previous term, but an operating loss of ¥1.2 billion was posted.



- Tomen transferred its steel and non-ferrous metal businesses to Toyota Tsusho. This led to a 43.2% decrease in trading transactions and a 22.2% decrease in operating income year on year.

■ Trading Transactions ■ Operating Income

## SEGMENT REVIEW

# CHEMICALS & ENERGY

### CORE BUSINESS VALUE

In the chemicals sector, Tomen covers a wide range of products—organic chemicals including up-stream and middle-stream petrochemical products, solvents, raw materials for detergent and urethane; various types of inorganic chemicals; resins and plastics and other high-end specialty chemicals. Tomen shows consistent originality in conducting business. A good example is given by its agrochemical business—Tomen, now through Arysta LifeScience, majority owned by Tomen, has long established itself as a “compound manufacturer without having its own factories.” Tomen acquired numbers of proprietary compounds and licenses over many years and had them formulated to sell under its own brand names. Tomen knows what to do in offering more value to the market.

In the energy sector, Tomen has built close relations with Iran through its longtime crude oil purchases. This has contributed to development of binational cooperative relationships in other economic sectors.

### Major Products and Services:

Petrochemicals, solvents, surfactants, raw materials for detergent, raw materials for urethane, agrochemicals (both chemical pesticides/insecticides/herbicides and those using natural enemies such as bumblebees), pharmaceuticals, veterinary medicines, dyestuff, catalysts, electronic materials, inorganic chemicals, various specialty chemicals, synthetic resins including high-end functional resins, synthetic rubber, plastic products, plastic-related accessory materials, molds and machinery, tires, packing materials, crude oil, petroleum products, liquefied gas.



#### **ARYSTA LIFESCIENCE—A LIFE SCIENCE COMPANY OPERATING WORLDWIDE**

Arysta LifeScience was established in April 2001 by spin-off and integration of agrochemical and other related business of Tomen and Nichimen. Combining Tomen's marketing strength in Japan, and North and South America with that of Nichimen in Europe, Africa and Asia, the company enjoys a strong presence in the world market. The company is pioneering the development of new products and is expanding and upgrading the local sales network for further growth.



#### **SMI (STYRINDO MONO INDONESIA)—THE ONLY STYRENE MONOMER MANUFACTURING FACILITIES IN INDONESIA**

Styrindo Mono Indonesia (SMI) has grown to become Tomen's largest joint venture in Indonesia. Styrene monomer is the raw material for polystyrene, which is used widely in home appliances, packing materials and household goods. SMI is steadily growing in the favorable environment where demand is strong both locally and in neighboring countries.

## Performance

In the chemicals sector, SMI achieved a remarkable improvement from the slump in the previous year, due to the recovery in demand and the de-bottlenecking in the production line. Arysta LifeScience saw high earnings as a result of aggressive operations. They made another proprietary acquisition of a new compound. The energy sector, on the other hand, showed a significant but planned reduction in trading transactions as a result of focusing on core business while withdrawing from unprofitable areas, in line with the "Tomen Group Medium-term Management Plan."

The overall performance of the Chemicals & Energy segment resulted in a reduction in trading transactions by 14.9% to ¥978 billion (US\$8,139 million), but an increase in operating income by 37.2% to ¥14.2 billion (US\$118 million), compared with the results of the previous year.

## Topics

### Arysta LifeScience benefits from capital influx

In September 2002, Olympus Capital Holdings Asia, an American fund, made an investment in Arysta LifeScience, acquiring shares totaling ¥8.4 billion and convertible bonds with stock-acquisition rights amounting to US\$10 million (approximately ¥1.2 billion). Arysta LifeScience plans to increase its capital fund up to ¥36 billion within four years,

including the above. This will enable them to maintain a strategy of growing through acquisition of proprietary compounds and licenses.

## Future Directions

The Chemicals & Energy segment is now ready to deploy more human resources to secure and expand the market share where it intends to grow. To expand business opportunities in markets with growth potential, Tomen is strengthening production and logistics functions in China and Southeast Asia. SMI regained its competitiveness, which is another contributor to the segment. Tomen is also planning to secure several suppliers in the oil-producing countries where it maintains a competitive edge.

As for the plastic-related business, Tomen will allocate more resources in the overseas market so that it can develop a new customer base in the home appliances area or build a new sales network utilizing Tomen Group companies and current local distributors. The local market for the plastic-related business has shrunk and still does after years of transplants to China and other Asian countries.

In the meantime, it should be noted that trading transactions and operating income of the segment for next year will face a reduction due to the planned transfer from consolidated accounting bases of several group companies, including SMI, to equity-method accounting.



*Tomatoes pollinated by bumblebees—first introduced to Japan by Tomen as part of its environment-friendly biological pollinator and natural pest control agent and systems.*



*Tomen exports super-absorbent polymers worldwide and is aggressively expanding its business operations.*



*Tomen handles approximately 6% of Iran's total crude oil exports and about 25% of exports to Japan.*

## PRODUCE & FOODSTUFFS

### CORE BUSINESS VALUE

In the Produce & Foodstuffs segment, the major products handled by Tomen are bulk imports of grains, livestock feed, oils and fats, raw sugar and products processed from them. Tomen operates a grain-processing complex with four grain silos in Japan for imported feed grains. These facilities have the top storage capacity and handling volume in Japan for feeds, in all, accounting for approximately 10% of the nation's overall imports.

Tomen carries a wide variety of food products, as well, ranging from farm and marine produce to liquors, Chinese food ingredients, general foodstuffs and sugar. Tomen has networked production and processing centers throughout the world, producing and importing high value-added foodstuffs, and it handles all stages from production to retailing.

### Major Products and Services:

Grains, beans, starch, flour, rice products, livestock feeds, oils and fats, meat products, sugar, coffee beans, cocoa beans, peanuts, fruit and vegetables, general-processed foods, processed farm and marine produce, health foods, dairy foods, bottled and canned goods, food raw materials, general marine produce, liquors, soft drinks.



### *THE FEED GRAIN BUSINESS—TOMEN HOLDS A TOP MARKET SHARE IN JAPAN DUE TO ITS COST COMPETITIVENESS*

*To meet Japan's need for imported grain, Tomen employs large-scale imports through a national network of high-capacity storage silos and wharf facilities that serve vessels of up to 50,000 tonnes. By encouraging mixed-feed manufacturers to base production facilities adjacent to these silos, Tomen has rationalized supply and distribution systems and separated distribution and storage, as well as ensuring a stable supply of safe and economical feeds.*



### *WINE IMPORTS—TOMEN ENJOYS TOP-CLASS RANKING IN JAPAN*

*Tomen Foods is responsible for the import and sale of bottled wine. As a wholly owned subsidiary with 30-years experience, the company operates on a global scale, sourcing wines from France, the U.S., Italy, Spain, Germany, Chile, Argentina and Australia. In France, Tomen Foods has a virtual monopoly for export of Domaine wines to Japan, with relationships with 80 producers.*

## Performance

In the feed grain business, one of our major business fields, we are continuing to achieve high-profit levels by making use of our network of grain silo complexes along with our distribution depot which is among the most extensive in the industry. However, the domestic foodstuffs businesses have been affected by a prolonged slump in consumer spending and a deflationary spiral. As a result of this harsh environment, trading transactions in this segment dropped 13.5% from the year before to ¥231 billion (US\$1,917 million), and the operating income declined to ¥7.4 billion (US\$61 million), a 17.8% decrease.

## Topics

### Development of high value-added cooked products

Tomen is promoting development of high value-added cooked products in alliance with joint ventures and affiliated companies in Asia, including China. To stay ahead of competition, Tomen is endeavoring to focus on overseas procurement of food ingredients and processed foods and strengthen its new-product planning capabilities to help Japanese food manufacturers match consumer needs and budgets.

### Future Directions

Japan is one of the world's major importers of foodstuffs and depends greatly on them. The importance of

importing foodstuffs and their ingredients for Japan will remain unchanged in the future. We believe that this segment is one that will continue to offer business opportunities. In order to seize opportunities as they unfold, Tomen will strengthen readiness and planning capabilities to meet consumer needs, which become more advanced, diversified and safety-oriented each day, while maintaining and strengthening favorable relationships with major foodstuffs manufacturers in Japan.

For such purposes, in addition to providing our clients with information on local production centers, and proposing new products and promising supplies of raw materials, we will strive to enhance value-added functions by focusing on production of processed foodstuffs both in Japan and overseas. Also, from a global perspective, we will endeavor to accumulate know-how that ensures the stable procurement of safe products at lower cost.

In the feed grain business, we will continue to perform various functions, including procurement of raw materials, large volume transportation, storage, pre-sorted distribution, supply and demand adjustment, information gathering and risk bearing. At the same time, we will continue to strive to rationalize our systems and solidify our position as the top trading company in Japan.



*In China, Tomen has established Ningbo Yongmian Foodstuff to manufacture canned fruit.*



*Tomen's employees reside at corn production sites and prevent mixing of natural and genetically modified corn to maintain food purity.*



*Our extensive network of four silo complexes in Kanto, Kansai, Tohoku and Tokai covers major grain consumption areas in Japan.*

# TEXTILES

## CORE BUSINESS VALUE

The textile industry has been a key area of Tomen's business since our establishment. Making use of its worldwide network stretching from New York to Milan, Singapore and major cities in China and elsewhere, Tomen has linked the excellent raw-material processing technologies developed in Japan with the sewing techniques in Asia. We are also promoting multipolar sales networks in Japan, America and Europe.

Specific areas of involvement include functional materials, environment-related businesses and the brand licensing businesses. We develop high-tech materials, which we originally plan and design, in alliance with textile manufacturers, and supply them to users throughout the world.

In the environment-related field, Tomen is aggressively promoting the manufacturing and sales of fiber products made from recycled PET bottles. In the brand licensing business, in addition to developing and promoting new brands, we are engaged in proposing as "Lifestyle Concepts" not only textile garments, but also bags, shoes, caps, home furnishings, and the like, using websites as promotional tools.

## Major Products and Services:

Natural fibers, including raw woolen and cotton yarns; natural fiber woven and knitted textiles; synthetic fibers, including acrylic, polyester, rayon; synthetic woven and knitted textiles; apparel for men, women, children and sportswear; bedding and interior products and raw materials; industrial materials, leather luggage; kotatsu (Japanese foot warmer) and other home products.



### *GELANOTS—A HIGH-TECH MATERIAL WITH ADVANCED FUNCTIONAL CHARACTERISTICS*

*Gelanots is a new material developed jointly by Tomen and Komatsu Seiren. In addition to its moisture permeability, waterproofing, wind and abrasion resistance, Gelanots offers a comfortable texture most suited to apparel. It is highly appraised by the outdoor-wear brand makers as a material ideal for various kinds of sportswear, including mountaineering, skiing and fishing gear.*



### *OGAWA TEC—A SIGNIFICANT COMPANY WITH UNIQUE TECHNOLOGY*

*Ogawa Tec has unique technology and expertise specializing in membrane construction architecture. The technology and the products have been used for a variety of facilities such as all-weather arenas, community centers, industrial units and business centers. Ogawa Tec provides a highly efficient business structure, handling all procedures from design and production to construction.*



## Performance

Tomen made efforts to increase its competitiveness and expand its customer base in the composite functional materials (including Gelanots) business in America and Europe. However, the entire Japanese textile industry has languished under a prolonged slump in consumer spending, downward pricing pressure and oversupply.

In this harsh environment, Tomen has restructured its businesses by reviewing and withdrawing from transactions of low profitability and focusing on key business areas. As a result of these activities, trading transactions were ¥320 billion (US\$2,663 million), a 19.6% decrease year-on-year, and operating income declined 22.6% to ¥4.3 billion (US\$36 million).

## Topics

### Marketing of Tetratex begins

Tomen is aggressively promoting the marketing of high-tech materials represented by Gelanots. In the year under review, we began selling Tetratex, a new high-tech material. Tetratex is a microporous PTFE membrane laminated with various materials, and offers superb resistance to rain, snow and penetration by fine particles, along with excellent moisture permeability and windproofing.

### Tomen starts manufacturing carpets in China

Tomen established a plant for manufacturing carpets made from recycled PET bottles in Tianjin, China in a joint venture with Negoro Sangyo, and began manufacturing at the beginning of 2003. In conjunction, we are encouraging the collection and recycling of PET bottles as the need for these in business is seen as increasing in the future.

### Future Directions

By making full use of Tokyo Bay Fashion, a textile concept shop launched during the year under review, and by strengthening our alliance with manufacturers that emphasize originality, we aim to expand domestic and international sales of high-tech materials, including Gelanots and Tetratex. In Japan, Tomen is working to strengthen its sales capabilities by focusing on planning and proposal activities to major customers.

In addition, we are increasing our production capacity and consolidating sales networks to promote business in the Chinese market, which is expected to grow in the near future. In Shanghai, Tomen has increased its work force and established a full-support system, ranging from raw materials to finished products. To diversify from the garment business, we are also now preparing to target the bedding and interior-goods markets.



*Tomen manufactures cut-pile carpet from recycled PET bottles through a joint venture with Negoro Sangyo, Tianjin Negoro Ecology.*



*Tomen and Haward jointly develop and sell men's outdoor apparel under the "Woolrich" brand.*



*Tomen opened "Tokyo Bay Fashion" for buyers at the International Fashion Fair in Yokohama.*

## MACHINERY

### CORE BUSINESS VALUE

Tomen's Machinery segment spans an extremely wide range of projects. Its main areas of involvement are electronics business, power supply business and plant projects. It also handles industrial machinery such as construction and industrial machines, and transportation equipment, including automobiles.

In the electronics field, our major business is the import and export of semiconductors along with various electronic components and devices. Our subsidiaries are experiencing business growth in this area and the Tomen Group has elevated itself to Japan's leading importer of semiconductors.

In the power supply business, centering on Eurus Energy Holdings, a subsidiary promoting wind power generation in Japan, America and Europe, the Tomen Group companies are aggressively promoting power generation. In the plant project area, Tomen has constructed plants for various industries, including energy- and telecommunication-related industries. We are also using our expertise as an organizer in establishing consortiums and have won bids for a number of international tendering contracts in the Middle East and Asia.

### Major Products and Services:

Semiconductors and electronic components, telecommunication/broadcast facilities, electronic equipment, CATV broadcasting, media-related software, power generation, power generation plants, steel plants, cement plants, chemical plants, petroleum-related facilities, port and airport facilities, packaging machines, logistics-related equipment, ships, automobiles and automotive parts, automobile production plants, construction machinery, agricultural machinery, environment-related facilities.



*SEMICONDUCTOR AND ELECTRONIC COMPONENT BUSINESSES—TOMEN GROUP COMPANIES ARE ACTIVELY ENGAGED IN PROMOTING BUSINESS.*

*Centering on Tomen Electronics, Tomen Devices and Tokyo Musen Kizai, Tomen imports semiconductors and electronic components from Europe, the U.S. and Korea for sale in the Japanese market along with semiconductors manufactured by Japanese makers.*

*Also in China, where new businesses are developing at an unprecedented pace, Shanghai Hong Ri International Electronics is promoting the import and export of semiconductors and electronic components and continues to experience astounding growth.*



*EURUS ENERGY HOLDINGS—THE WORLD'S LEADING DEVELOPER OF WIND POWER GENERATION*

*In October 2002, Tokyo Electric Power Company (TEPCO) invested in Tomen Power Holdings, providing 50% of the capital to form a new company called Eurus Energy Holdings, to vigorously deploy wind power generation on a global scale. Combining the benefits of Tomen's business achievements and expertise with TEPCO's superb technology and information-gathering capability in the electric power industry, Eurus Energy Holdings is a company with high growth potential.*

## Performance

In the electronics business field, the markets for cellular phones with built-in cameras and digital home appliances experienced favorable growth, and semiconductor, electronic parts and liquid-crystal device imports have expanded greatly.

In the power supply business, Eurus Energy Holdings, which is actively developing wind power generation, and Tomen Power Singapore, a company that oversees power generation projects in Asian countries, showed increased profits. Also, in the automobile export business, exports to the Middle East, China, North Africa and Australia moved favorably.

As a result, trading transactions amounted to ¥459 billion (US\$3,820 million), a 10.1% increase compared with the year before, and operating income increased 27% to ¥5.5 billion (US\$46 million).

In October 2002, Tomen partially transferred its textile machine export business to Toyota Tsusho.

## Topics

### Electronics-related affiliates go public

Tomen Devices, a joint venture with Samsung Electronics, was listed on JASDAQ in June 2002. This company engages in sales of semiconductor memory devices, manufactured mainly by Samsung Electronics. Following this, in March 2003, Tomen Cyber-business

Solutions, a company involved in Internet-related systems, software integration and sales of systems, was listed on the Mothers Market of the Tokyo Stock Exchange.

Tomen aims to seize the opportunity from the initial public offering by these two group companies to further expand its electronics business.

### Tomen wins contract for fertilizer plant projects in Iran

In December 2002, Tomen and Kawasaki Heavy Industries, together with a local company in Iran jointly won contracts for an ammonia/urea fertilizer plant project from Kermanshah Petrochemical Industries of Iran. The contract amounts to approximately ¥32 billion and the scheduled delivery date is August 2004.

### Future Directions

Focusing on environment-related business, electronics, plant projects and energy businesses, Tomen is focusing its management resources on areas and regions of expertise, and is concentrating on strengthening the management of its group business through careful screening of affiliates. The Tomen Group has identified the Chinese electronics market as an important growth area, and aims to strengthen its sales system there.



*Tomen automobile exports to the Middle East, China, North Africa and Australia increased favorably in the year ended March 31, 2003.*



*Tomen, together with Toyota Tsusho, started selling the "MHS-01" driving navigation system, which guides drivers to low-environmental impact driving at all times.*



*Eurus Energy Holdings commenced operations in five countries, Japan, the U.S., the U.K., Italy and Spain.*

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## CONSTRUCTION & REAL ESTATE

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### Performance

Based on the “Tomen Renovation Plan,” Tomen has been endeavoring to rationalize existing projects in Japan as well as overseas. Real estate development in North America was robust and contributed to the 21.5% increase in trading transactions year-on-year to ¥14.6 billion (US\$122 million). However, although losses declined,

there was an operating loss of ¥1.2 billion (US\$10 million).

Based on the shifting of the business policy in the “Tomen Group Medium-term Management Plan” announced on December 27, 2002, Tomen is liquidating most of its real estate assets for a lump sum and withdrawing from the real estate business. (See page 47, Note 18, Medium-term Management Plan.)

### Major Products and Services:

Real estate trading, renting and intermediation; construction and civil-engineering contracting; design supervision

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## OTHERS

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### Performance

Our lumber business has been moving steadily in spite of slumping domestic demand. Tomen transferred its steel business and non-ferrous metal business to Toyota Tsusho. Due to the

influence of this transfer, trading transactions stood at ¥80.2 billion (US\$667 million), a 43.2% decline from the previous year, and operating income dropped 22.2% to ¥1.2 billion (US\$10 million).

### Major Products and Services:

Coal, lumber, plywood, construction materials, data processing, logistics

# FINANCIAL SECTION

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## FIVE-YEAR SUMMARY

For the years ended March 31,	Millions of Yen					Thousands of U.S. Dollars (Note 3)
	2003	2002	2001	2000	1999	2003
Total Trading Transactions .....	<b>¥2,082,898</b>	¥2,384,848	¥2,516,523	¥2,866,909	¥3,954,171	<b>\$17,328,602</b>
Gross Trading Profit .....	<b>113,122</b>	117,593	121,718	115,551	147,409	<b>941,115</b>
Operating Income .....	<b>25,661</b>	25,198	34,855	25,827	30,466	<b>213,486</b>
Net Income (Loss) .....	<b>(66,970)</b>	4,711	10,097	(94,526)	2,749	<b>(557,155)</b>
Total Assets .....	<b>971,713</b>	1,448,261	1,551,265	1,687,184	2,185,672	<b>8,084,135</b>
Stockholders' Equity .....	<b>13,862</b>	4,663	8,278	493	88,512	<b>115,325</b>
Long-Term Liabilities .....	<b>136,969</b>	279,316	355,569	501,685	699,093	<b>1,139,509</b>
<hr/>						
Per share amounts	Yen					U.S. Cents
Net Income (Loss) .....	<b>¥(105.58)</b>	¥7.39	¥16.70	¥(141.15)	¥4.10	<b>¢(87.84)</b>
Cash Dividends .....	—	—	—	—	2.50	—

Note: U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥120.2=\$1.  
(See Note 3 of Notes to Consolidated Financial Statements.)

## FINANCIAL REVIEW

### CONSOLIDATED TOTAL TRADING TRANSACTIONS

Consolidated total trading transactions (TTT) declined by 12.7% to ¥2,082.9 billion (US\$17,329 million) for the year ended March 31, 2003.

Tomen continued to select and concentrate on businesses with core value and sell off or downsize unprofitable or inefficient businesses. The Japanese economy remained sluggish and the increasingly tense situation in the Middle East made future businesses even more unpredictable. Affected by these negative factors, the economic environment remained severe. As a result, the TTT for the year declined.

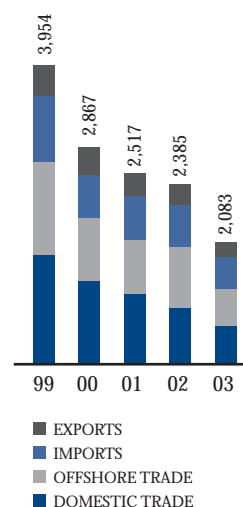
According to a breakdown of TTT by trade, figures in all categories were lower than the year before. Exports, imports, offshore trade and domestic trade declined 10.1%, 3.8%, 20.6% and 11.5%, respectively. In particular, offshore trading transactions dropped sharply by ¥166.8 billion, to ¥641.5 billion. Although Machinery transactions of offshore trading increased by ¥6.4 billion from the previous fiscal year, withdrawal from unprofitable or inefficient trade transactions in Chemicals & Energy operations resulted in a ¥124.5 billion decline, and the Others segment also declined by ¥19.4 billion.

A breakdown of TTT by product shows that Machinery increased 10.1% and Construction & Real Estate 21.5% over the previous fiscal year. However, the remaining four segments registered declines: Chemicals & Energy by 14.9%, Produce & Foodstuffs by 13.5%, Textiles by 19.6% and Others by 43.2%.

#### Transactions by Trade

For the years ended March 31,	Billions of Yen					Millions of U.S. Dollars (Note 3)	Change (%)
	2003	2002	2001	2000	1999	2003	
Exports	¥249	¥277	¥293	¥361	¥417	\$2,073	-10.1
Imports	530	552	590	578	861	4,414	-3.8
Offshore Trade	642	808	707	829	1,241	5,337	-20.6
Domestic Trade	662	748	927	1,099	1,435	5,505	-11.5
<b>Total</b>	<b>¥2,083</b>	<b>¥2,385</b>	<b>¥2,517</b>	<b>¥2,867</b>	<b>¥3,954</b>	<b>\$17,329</b>	<b>-12.7</b>

**TRANSACTIONS BY TRADE**  
(Billions of Yen)



## Transactions by Product

For the years ended March 31,	Billions of Yen					Millions of U.S. Dollars (Note 3)	Change (%)
	2003	2002	2001	2000	1999	2003	
Chemicals & Energy	<b>¥978</b>	¥1,150	¥1,105	¥1,001	¥1,266	<b>\$ 8,139</b>	-14.9
Produce & Foodstuffs	<b>231</b>	267	244	363	582	<b>1,917</b>	-13.5
Textiles	<b>320</b>	398	423	449	513	<b>2,663</b>	-19.6
Machinery	<b>459</b>	417	400	606	870	<b>3,820</b>	10.1
Construction & Real Estate	<b>15</b>	12	46	81	135	<b>122</b>	21.5
Others	<b>80</b>	141	299	367	588	<b>668</b>	-43.2
<b>Total</b>	<b>¥2,083</b>	¥2,385	¥2,517	¥2,867	¥3,954	<b>\$17,329</b>	-12.7

## EARNINGS

TTT fell 12.7% from the previous fiscal year, but withdrawal from or downsizing of unprofitable or inefficient businesses reduced the cost of trading transactions 13.1% compared to the previous fiscal year. As a result, gross trading profit declined by only 3.8% from the year before to ¥113.1 billion (US\$941 million).

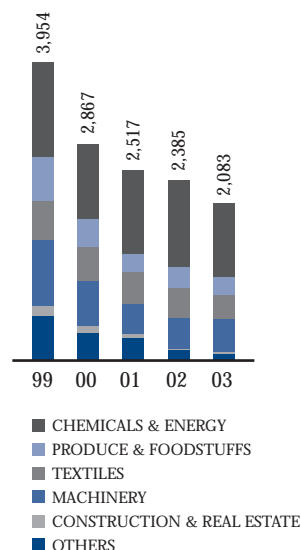
According to gross trading profit by product, the gross trading profit in the Chemicals & Energy and Machinery segments increased by ¥2.2 billion and ¥0.1 billion, respectively over the previous fiscal year. Chemicals & Energy was boosted by the good performance of Styrimdo Mono Indonesia (SMI), a producer of styrene monomer, which had slumped in the previous fiscal year, but was robust for the year under review due to market recovery and increased production capacity. The Machinery segment benefited from brisk trade in semiconductors and automobiles.

## Gross Trading Profit by Product

For the years ended March 31,	Billions of Yen					Millions of U.S. Dollars (Note 3)	Change (%)
	2003	2002	2001	2000	1999	2003	
Chemicals & Energy	<b>¥43.2</b>	¥ 41.0	¥ 40.8	¥38.2	¥ 41.6	<b>\$359</b>	5.4
Produce & Foodstuffs	<b>17.5</b>	19.5	18.7	19.4	19.9	<b>146</b>	-10.3
Textiles	<b>16.3</b>	17.8	18.2	19.0	23.1	<b>136</b>	-8.4
Machinery	<b>31.0</b>	30.9	28.5	24.8	41.9	<b>258</b>	0.3
Construction & Real Estate	<b>2.2</b>	2.5	4.4	2.9	4.8	<b>18</b>	-12.0
Others	<b>2.9</b>	5.9	11.1	11.3	16.1	<b>24</b>	-50.8
<b>Total</b>	<b>¥113.1</b>	¥117.6	¥121.7	¥115.6	¥147.4	<b>\$941</b>	-3.8

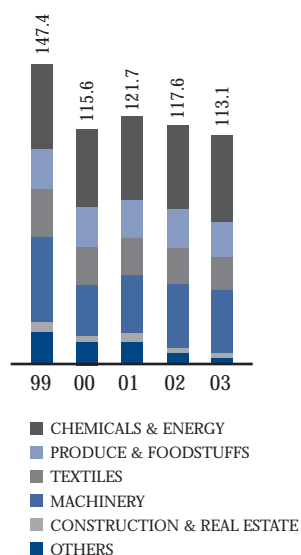
## TRANSACTIONS BY PRODUCT

(Billions of Yen)



## GROSS TRADING PROFIT BY PRODUCT

(Billions of Yen)





On the other hand, the gross trading profit in the Produce & Foodstuffs segment declined by ¥2.0 billion due to a sluggish foodstuffs market, and the Textiles segment declined by ¥1.5 billion, due to a prolonged slump in consumer spending and the downward trend in prices. Gross trading profits in the Others segment declined by ¥3.0 billion, or 50.8%, because of the transfer of the steel and non-ferrous businesses to Toyota Tsusho as a measure to withdraw from unprofitable or inefficient businesses.

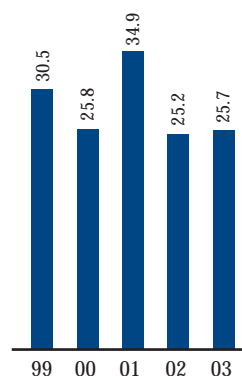
Efficient management reduced selling, general & administrative (SG&A) expenses by ¥4.9 billion, or 5.3%. This led to an increase in consolidated operating income by ¥0.5 billion, or 1.8%, to ¥25.7 billion (US\$213 million) from the year before.

With regard to non-operating profit and loss, the balance of interest income and expenses improved by ¥4.4 billion due to a reduction in interest-bearing debt, however the overall figure fell by ¥9.9 billion as a result of declines in foreign exchange revenues and partnership profits.

Other income and expenses in total amounted to a loss of ¥53.7 billion, accompanying the change of management policies based on the "Tomen Group Medium-term Management Plan" announced in December 2002 (see Page 47, Note 18, Medium-term Management Plan). Other income included ¥110 billion of debt forgiveness gains, with the support of UFJ Bank, and a ¥13.5 billion gain on sales of investment securities from self-help efforts, such as the partial sales of shares of our subsidiaries. However, there were other income expenses, including a loss of ¥113.5 billion on business restructuring resulting from disposal of risky assets such as real estate and a ¥28.1 billion loss from valuation of securities following declines in the stock market. As a result of the above, the loss before income taxes and minority interests amounted to ¥28.1 billion. After deducting income taxes and minority interests, there was a consolidated net loss of ¥67.0 billion (US\$557 million), a decrease of ¥71.7 billion.

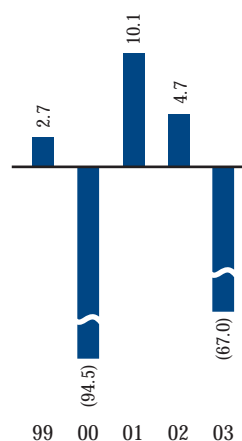
## OPERATING INCOME

(Billions of Yen)



## NET INCOME (LOSS)

(Billions of Yen)



For the years ended March 31,	Billions of Yen					Millions of U.S. Dollars (Note 3)	Change (%)
	2003	2002	2001	2000	1999	2003	
<b>Total Trading</b>							
Transactions	<b>¥2,083</b>	¥2,385	¥2,517	¥2,867	¥3,954	<b>\$17,329</b>	-12.7
Gross Trading Profit	<b>113.1</b>	117.6	121.7	115.6	147.4	<b>941</b>	-3.8
<b>Selling, General &amp; Administrative</b>							
Expenses	<b>(87.5)</b>	(92.4)	(86.9)	(89.7)	(116.9)	<b>(728)</b>	-5.3
Operating Income	<b>25.7</b>	25.2	34.9	25.8	30.5	<b>213</b>	1.8
Net Income (Loss)	<b>(67.0)</b>	4.7	10.1	(94.5)	2.7	<b>(557)</b>	-

## FINANCIAL POSITION

Consolidated total assets at the end of the fiscal year amounted to ¥971.7 billion (US\$8,084 million), a decline of ¥476.5 billion or 32.9% due to liquidation of real-estate property and the scaling down of operating assets.

Current assets decreased by ¥277.2 billion to ¥548.9 billion (US\$4,566 million) from the previous fiscal year, affected by trade notes and accounts, which declined by ¥56.1 billion, and inventories, which declined by ¥87.7 billion. Property and equipment, at cost showed a huge decline of ¥107.8 billion, or 48.2%, due to scaling down of risk assets, including real estate, as well as transition of a portion of power supply-related consolidated subsidiaries, including Eurus Energy Holdings, to equity-method companies.

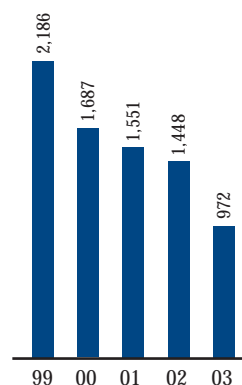
Interest-bearing debt declined by ¥452.2 billion compared to the previous fiscal year to ¥659.9 billion (US\$5,490 million) as a result of actively facilitating repayment of loans and redemption of bonds. Net interest-bearing debt, excluding cash and deposits, fell by ¥379.6 billion from the previous year to ¥565.9 billion.

Retained earnings declined as a result of net losses of ¥67 billion, but stockholders' equity at year end increased by ¥9.2 billion compared to the previous year to ¥13.9 billion (US\$115 million), reflecting the underwriting of preferred stock by seven major financial institutions.

For the years ended March 31,	Billions of Yen					Millions of U.S. Dollars (Note 3)	Change (%)
	2003	2002	2001	2000	1999	2003	
<b>Total Assets</b>	<b>¥972</b>	<b>¥1,448</b>	<b>¥1,551</b>	<b>¥1,687</b>	<b>¥2,186</b>	<b>\$8,084</b>	-32.9
<b>Current Assets</b>	<b>549</b>	826	914	1,059	1,489	<b>4,566</b>	-33.6
<b>Investments and</b>							
<b>Long-Term</b>							
<b>Receivables</b>	<b>230</b>	305	350	278	425	<b>1,913</b>	-24.6
<b>Property and</b>							
<b>Equipment</b>	<b>116</b>	223	219	237	213	<b>962</b>	-48.2
<b>Current Liabilities</b>	<b>785</b>	1,138	1,159	1,175	1,390	<b>6,533</b>	-31.0
<b>Long-Term Liabilities</b>	<b>137</b>	279	356	502	699	<b>1,140</b>	-51.0
<b>Stockholders' Equity</b>	<b>13.9</b>	4.7	8.3	0.5	89	<b>115</b>	197.3

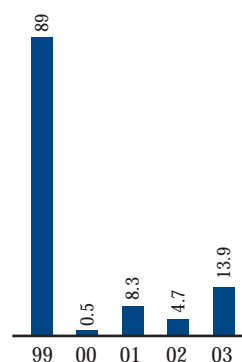
## TOTAL ASSETS

(Billions of Yen)



## STOCKHOLDERS' EQUITY

(Billions of Yen)



## ANALYSIS OF CASH FLOWS

Although a loss before income taxes of ¥28.1 billion was accounted for, collection of trade notes and trade receivables contributed to consolidated cash flows provided by operating activities of ¥81.3 billion (US\$676 million).

Net cash provided by investing activities increased by ¥55.9 billion, to ¥82.2 billion (US\$684 million) from the previous year as a result of the liquidation of real-estate property and a portion of the shares of good-standing subsidiaries.

Net cash used in financing activities amounted to ¥202.7 billion (US\$1,687 million), as a result of substantial reduction of interest-bearing debt under the “Tomen Group Medium-term Management Plan.” By the effects of changes in exchange rate and changes in the scope of consolidation, cash and cash equivalents at the end of the fiscal year declined by ¥46.4 billion, to ¥93.9 billion (US\$781 million).

## FINANCIAL RATIOS

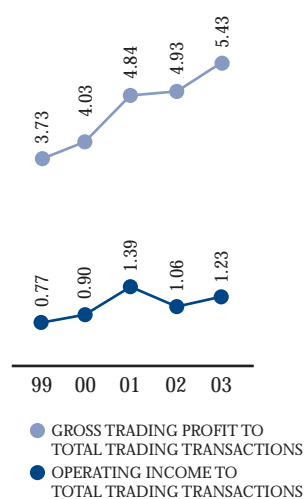
The process of liquidation and withdrawal from unprofitable and inefficient businesses continued during the year under review. As a result, the ratio of gross trading profit to TTT increased 0.5 point from the previous year, from 4.9% to 5.4%. Also, the ratio of operating income to TTT improved 0.2 point to 1.2% as a result of reducing SG&A expenses, mainly selling expenses.

The equity ratio increased 1.1 point to 1.4 % as a result of capital increases realized through underwriting of preferred stock by seven major financial institutions.

### Financial Ratios

For the years ended March 31,	(%)				
	2003	2002	2001	2000	1999
<b>Gross Trading Profit to</b>					
<b>Total Trading Transactions</b>	<b>5.43</b>	4.93	4.84	4.03	3.73
<b>Operating Income to</b>					
<b>Total Trading Transactions</b>	<b>1.23</b>	1.06	1.39	0.90	0.77
<b>Net Income to</b>					
<b>Total Trading Transactions</b>	-	0.20	0.40	-	0.07
<b>Return on Average Total Assets</b>	-	0.31	0.62	-	0.12
<b>Return on Average</b>					
<b>Stockholders' Equity</b>	-	72.80	230.24	-	3.16
<b>Current Ratio</b>	<b>70</b>	73	79	90	107
<b>Equity Ratio</b>	<b>1.43</b>	0.32	0.53	0.03	4.05

### SELECTED FINANCIAL RATIOS (%)



## SUBSIDIARIES AND AFFILIATES

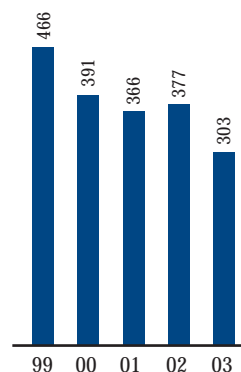
The total number of consolidated subsidiaries, unconsolidated equity-method subsidiaries and equity-method affiliates decreased by 74 to 303.

Consolidated companies consisted of 88 domestic companies and 215 overseas companies. Furthermore, 248 consolidated companies were in the black and 55 companies were in the red.

For the year ended March 31, 2003	Domestic	Overseas	Total	Change from March 31, 2002
<b>Consolidated Subsidiaries</b>	<b>66</b>	<b>146</b>	<b>212</b>	<b>-45</b>
<b>Unconsolidated Subsidiaries under the Equity Method</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>
<b>Equity-Method Companies</b>	<b>22</b>	<b>67</b>	<b>89</b>	<b>-29</b>
<b>Total</b>	<b>88</b>	<b>215</b>	<b>303</b>	<b>-74</b>

For the years ended March 31,	2003	2002	2001	2000	1999	Change from March 31, 2002
<b>Profit-Making Companies</b>	<b>248</b>	<b>300</b>	<b>272</b>	<b>295</b>	<b>323</b>	<b>-52</b>
<b>Deficit-Ridden Companies</b>	<b>55</b>	<b>77</b>	<b>94</b>	<b>96</b>	<b>143</b>	<b>-22</b>
<b>Total</b>	<b>303</b>	<b>377</b>	<b>366</b>	<b>391</b>	<b>466</b>	<b>-74</b>

## NUMBER OF SUBSIDIARIES AND AFFILIATES



## REVIEW OF GEOGRAPHICAL SEGMENTS

### JAPAN

Trading transactions for automobile exports and at IT-related subsidiaries were strong. However, the prolonged slump in the domestic market meant economic conditions in Japan continued to be harsh. Tomen maintained its push for selectivity among its business transactions and focused on the most promising ones. As a result, total trading transactions (TTT) fell 13.2% to ¥1,830.7 billion (US\$15,231 million) compared to the previous year, but through cost reductions, we achieved an operating income of ¥21.9 billion (US\$182 million), or a 12.9% increase over the previous year.

### NORTH AMERICA

Affected by the sudden decline in the North American economy, the business environment was difficult. Moreover, the transfer of the steel business to Toyota Tsusho and a decreased earnings from wind power generation subsidiaries caused TTT to fall 25.2% from the previous year to ¥66.0 billion (US\$549 million). This situation inevitably had an impact on performance, including an operating loss of ¥3.3 billion (US\$27 million).

### EUROPE

The life sciences businesses for Africa and the Middle East remained stable, contributing to TTT of ¥32.0 billion (US\$267 million), nearly the same level as the previous year. However, affected by negative factors, including the transfer of the European power generation subsidiary to an equity-method company, operating income fell 37.7% to ¥1.4 billion (US\$12 million) compared to the previous year.

### ASIA AND OCEANIA

SMI, Indonesia's only producer of styrene monomer, sought to overcome the previous year's slump with increased production capacity supported by a market recovery and partial upgrade of its production facilities. Backed by these positive factors, TTT increased 3.0% from a year earlier to ¥141.6 billion (US\$1,178 million), and operating income increased 271.5% to ¥3.7 billion (US\$30 million) to register overall increases in both revenues and profits.

### OTHERS

Affected by continued decline of the Brazilian real and by low inflation, the agrochemical sales company in Brazil had to fight a tough battle. TTT fell 21.7% to ¥12.6 billion (US\$105 million) and operating income also fell 38.8% to ¥2.0 billion (US\$17 million), resulting in a big decline in both revenues and profits.

# CONSOLIDATED BALANCE SHEETS

TOMEN CORPORATION AND CONSOLIDATED SUBSIDIARIES

March 31, 2003 and 2002

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
<b>Current Assets:</b>			
Cash and time deposits (Note 5) .....	¥ 93,964	¥ 166,569	\$ 781,730
Marketable securities (Note 4) .....	3,624	6,667	30,150
Receivables:			
Trade notes and accounts (Note 5) .....	315,499	371,552	2,624,784
Loans .....	5,727	24,158	47,646
Due from unconsolidated subsidiaries and affiliates .....	21,631	34,243	179,958
Allowance for doubtful receivables .....	(16,000)	(11,364)	(133,111)
Inventories (Note 5) .....	91,255	178,952	759,193
Other current assets (Note 11) .....	33,151	55,299	275,799
<b>Total Current Assets</b> .....	<b>548,851</b>	<b>826,076</b>	<b>4,566,149</b>
<b>Investments and Long-Term Receivables:</b>			
Investments in securities and other			
investments (Notes 4 and 5) .....	104,979	155,379	873,369
Investments in and advances to			
unconsolidated subsidiaries and affiliates .....	61,237	85,708	509,459
Long-term loans and trade receivables (Note 5) .....	111,237	125,049	925,433
Allowance for doubtful receivables .....	(47,460)	(60,936)	(394,842)
<b>Total Investments and Long-Term Receivables</b> .....	<b>229,993</b>	<b>305,200</b>	<b>1,913,419</b>
<b>Property and Equipment, at Cost (Note 5):</b>			
Land .....	33,459	61,860	278,361
Buildings and structures .....	50,577	56,333	420,774
Equipment and fixtures .....	100,400	118,111	835,274
Property leased to others .....	15,402	73,651	128,136
Construction in progress .....	174	514	1,448
	200,012	310,469	1,663,993
Accumulated depreciation .....	(84,351)	(87,028)	(701,755)
<b>Net Property and Equipment</b> .....	<b>115,661</b>	<b>223,441</b>	<b>962,238</b>
Deferred Tax Assets (Note 11) .....	26,723	53,887	222,321
Other Assets .....	50,485	39,657	420,008
	<b>¥ 971,713</b>	<b>¥1,448,261</b>	<b>\$ 8,084,135</b>

See accompanying Notes to Consolidated Financial Statements.

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2002	2003
<b>Current Liabilities:</b>			
Short-term loans (Notes 5 and 6) .....	¥ 436,105	¥ 734,570	\$ 3,628,162
Current portion of long-term debt (Notes 5 and 6) .....	100,897	116,121	839,409
Payables:			
Trade notes, acceptances and accounts .....	199,226	220,987	1,657,454
Due to unconsolidated subsidiaries and affiliates .....	6,973	9,468	58,012
Advances and deposits from customers .....	10,519	13,570	87,512
Accrued income taxes .....	5,834	5,062	48,536
Other current liabilities (Note 11) .....	25,755	38,305	214,268
<b>Total Current Liabilities</b> .....	<b>785,309</b>	<b>1,138,083</b>	<b>6,533,353</b>
<b>Long-Term Liabilities:</b>			
Long-term debt (Notes 5 and 6) .....	122,875	261,356	1,022,255
Accrued retirement benefits (Note 14) .....	7,109	6,226	59,143
Other long-term liabilities (Note 11) .....	6,985	11,734	58,111
<b>Total Long-Term Liabilities</b> .....	<b>136,969</b>	<b>279,316</b>	<b>1,139,509</b>
<b>Minority Interests in Consolidated Subsidiaries</b> .....	<b>35,573</b>	<b>26,199</b>	<b>295,948</b>
<b>Contingent Liabilities (Note 12)</b>			
<b>Stockholders' Equity:</b>			
Preferred stock:			
Authorized:			
400,000,000 shares			
Issued and outstanding:			
144,000,000 shares at March 31, 2003 .....	36,000	—	299,501
Common stock:			
Authorized:			
2,000,000,000 shares			
Issued			
637,649,645 shares at March 31, 2003 and 2002 .....	32,185	32,185	267,762
Capital surplus (Note 7) .....	51,443	15,443	427,978
Accumulated deficit .....	(70,344)	(3,611)	(585,224)
Net unrealized losses on investments in securities .....	(4,845)	(16,235)	(40,308)
Foreign currency translation adjustments .....	(30,252)	(23,106)	(251,680)
Common stock in treasury, at cost:			
2,287 thousand shares at March 31, 2003 and 1,606 thousand at March 31, 2002 .....	(325)	(13)	(2,704)
<b>Total Stockholders' Equity</b> .....	<b>13,862</b>	<b>4,663</b>	<b>115,325</b>
	<b>¥ 971,713</b>	<b>¥1,448,261</b>	<b>\$ 8,084,135</b>

# CONSOLIDATED STATEMENTS OF INCOME

TOMEN CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2003	2002	2001	2003
<b>Total Trading Transactions (Notes 9 and 10) ....</b>	<b>¥ 2,082,898</b>	<b>¥2,384,848</b>	<b>¥2,516,523</b>	<b>\$17,328,602</b>
<b>Gross Trading Profit .....</b>	<b>113,122</b>	117,593	121,718	<b>941,115</b>
<b>Selling, General &amp; Administrative Expenses .....</b>	<b>87,461</b>	92,395	86,863	<b>727,629</b>
<b>Operating Income (Note 9) .....</b>	<b>25,661</b>	25,198	34,855	<b>213,486</b>
<b>Other Income (Expenses):</b>				
Interest income .....	<b>8,609</b>	12,166	18,863	<b>71,622</b>
Dividend income .....	<b>1,033</b>	1,332	2,607	<b>8,594</b>
Interest expense .....	<b>(23,808)</b>	(31,751)	(41,405)	<b>(198,070)</b>
Equity in earnings of unconsolidated subsidiaries and affiliated companies .....	<b>3,728</b>	4,872	4,149	<b>31,015</b>
Gain on sales of investments in securities .....	<b>13,465</b>	11,224	46,167	<b>112,022</b>
Debt forgiveness gain .....	<b>110,000</b>	—	—	<b>915,141</b>
Gain on extinguishment of debt .....	<b>13,417</b>	—	32,197	<b>111,622</b>
Impaired loss on property and equipment .....	<b>(2,279)</b>	—	(8,827)	<b>(18,960)</b>
Loss on sales of investments in securities and other investments .....	<b>(9,249)</b>	(5,884)	(4,997)	<b>(76,947)</b>
Loss on valuation of investments in securities ...	<b>(28,037)</b>	(5,008)	(12,662)	<b>(233,253)</b>
Provision for impaired receivables .....	<b>(8,174)</b>	(6,395)	(30,018)	<b>(68,003)</b>
Loss on disposal of investments in and advances to unconsolidated subsidiaries and affiliates ...	<b>(7,608)</b>	(681)	(19,034)	<b>(63,294)</b>
Loss on valuation of real estate for sale .....	<b>(5,920)</b>	—	—	<b>(49,251)</b>
Loss on business restructuring (Note 18) .....	<b>(113,453)</b>	—	—	<b>(943,869)</b>
Other, net .....	<b>(5,461)</b>	11,156	2,819	<b>(45,433)</b>
<b>Total .....</b>	<b>(53,737)</b>	(8,969)	(10,141)	<b>(447,064)</b>
<b>Income (Loss) before Income Taxes and Minority Interests .....</b>	<b>(28,076)</b>	16,229	24,714	<b>(233,578)</b>
<b>Income Taxes:</b>				
Current .....	<b>9,623</b>	7,033	10,234	<b>80,058</b>
Deferred .....	<b>26,378</b>	3,014	2,156	<b>219,451</b>
	<b>36,001</b>	10,047	12,390	<b>299,509</b>
<b>Income (Loss) before Minority Interests .....</b>	<b>(64,077)</b>	6,182	12,324	<b>(533,087)</b>
<b>Minority Interests .....</b>	<b>(2,893)</b>	(1,471)	(2,227)	<b>(24,068)</b>
<b>Net Income (Loss) .....</b>	<b>¥ (66,970)</b>	<b>¥ 4,711</b>	<b>¥ 10,097</b>	<b>\$ (557,155)</b>
		Yen		U.S. Cents
<b>Net income (loss) per share (Note 16) .....</b>	<b>¥ (105.58)</b>	<b>¥ 7.39</b>	<b>¥ 16.70</b>	<b>¢ (87.84)</b>

See accompanying Notes to Consolidated Financial Statements.



# CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

TOMEN CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2003	2002	2001	2003
<b>Preferred Stock:</b>				
Beginning balance .....	—	—	—	—
Stock issuance .....	¥ 36,000	—	—	\$ 299,501
Ending balance .....	¥ 36,000	—	—	\$ 299,501
<b>Common Stock:</b>				
Beginning balance .....	¥ 32,185	¥ 32,185	¥ 49,780	\$ 267,762
Capital reduction .....	—	—	(33,038)	—
Stock issuance .....	—	—	15,443	—
Ending balance .....	¥ 32,185	¥ 32,185	¥ 32,185	\$ 267,762
<b>Capital Surplus:</b>				
Beginning balance .....	¥ 15,443	¥ 15,443	¥ 44,996	\$ 128,477
Disposition of capital surplus .....	—	—	(44,996)	—
Stock issuance .....	36,000	—	15,443	299,501
Ending balance .....	¥ 51,443	¥ 15,443	¥ 15,443	\$ 427,978
<b>Accumulated Deficit:</b>				
Beginning balance .....	¥ (3,611)	¥ (5,866)	¥(94,282)	\$ (30,041)
Reduction of capital without compensation .....	—	—	33,038	—
Transfer from capital surplus .....	—	—	44,996	—
Net income (loss) .....	(66,970)	4,711	10,097	(557,155)
Bonuses to directors .....	(25)	(28)	(18)	(208)
Effect of changes in scope of consolidation .....	42	(61)	943	350
Effect of changes in accounting for marketable securities, net of tax .....	—	(475)	115	—
Other .....	220	(1,892)	(755)	1,830
Ending balance .....	¥ (70,344)	¥ (3,611)	¥ (5,866)	\$ (585,224)
<b>Net Unrealized Gains (Losses) on Investments in Securities:</b>				
Beginning balance .....	¥ (16,235)	¥ 66	—	\$ (135,067)
Net unrealized gains (losses) .....	11,390	(16,301)	¥ 66	94,759
Ending balance .....	¥ (4,845)	¥(16,235)	¥ 66	\$ (40,308)
<b>Foreign Currency Translation Adjustments:</b>				
Beginning balance .....	¥ (23,106)	¥(33,549)	—	\$ (192,230)
Movement .....	(7,146)	10,443	¥(33,549)	(59,450)
Ending balance .....	¥ (30,252)	¥(23,106)	¥(33,549)	\$ (251,680)
<b>Treasury Stock:</b>				
Beginning balance .....	¥ (13)	¥ (1)	¥ (1)	\$ (108)
Sales/(Purchase), net .....	(312)	(12)	—	(2,596)
Ending balance .....	¥ (325)	¥ (13)	¥ (1)	\$ (2,704)

See accompanying Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

TOMEN CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2003	2002	2001	2003
<b>Cash Flows from Operating Activities:</b>				
Income (loss) before income taxes and minority interests .....	¥ (28,076)	¥ 16,229	¥ 24,714	\$(233,578)
<b>Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:</b>				
Depreciation and amortization .....	9,979	11,882	10,903	83,020
Provision for impaired receivables .....	17,064	4,057	(2,197)	141,963
Equity in earnings of unconsolidated subsidiaries and affiliates .....	(3,728)	(4,872)	(4,149)	(31,015)
Impaired loss on property and equipment .....	2,279	—	8,827	18,960
Gain on sales of investments in securities .....	(4,087)	(4,466)	(44,756)	(34,002)
Loss on valuation of investments in securities .....	28,037	5,008	12,662	233,253
Interest and dividend income .....	(9,642)	(13,499)	(21,470)	(80,216)
Interest expense .....	23,808	31,751	41,405	198,070
Debt forgiveness gain .....	(110,000)	—	—	(915,141)
Gain on extinguishment of debt .....	(13,417)	—	(32,197)	(111,622)
Loss on business restructuring .....	113,453	—	—	943,869
Other .....	9,482	13,504	(8,189)	78,884
Decrease in trade receivables .....	38,864	84,798	73,740	323,328
Decrease in inventories .....	13,617	19,139	7,635	113,286
Decrease in trade payable .....	(9,532)	(54,956)	(49,306)	(79,301)
Decrease (increase) in short-term loan receivables .....	28,873	(6,032)	30,672	240,208
Interest and dividend received .....	9,883	8,611	14,052	82,221
Interest paid .....	(23,449)	(29,499)	(35,661)	(195,083)
Income taxes paid .....	(9,636)	(8,101)	(6,919)	(80,166)
Other, net .....	(2,470)	(1,882)	28,637	(20,549)
Net cash provided by operating activities .....	<b>81,302</b>	<b>71,672</b>	<b>48,403</b>	<b>676,389</b>
<b>Cash Flows from Investing Activities:</b>				
Proceeds from sales of property and equipment .....	37,961	2,869	9,533	315,815
Purchase of property and equipment .....	(3,074)	(11,296)	(11,133)	(25,574)
Purchase of intangible assets .....	(15,574)	—	—	(129,567)
Proceeds from sales of investments in securities .....	15,018	23,761	83,081	124,942
Purchase of investments in securities .....	(9,667)	(15,728)	(58,274)	(80,424)
Decrease in long-term loans and other investments, net .....	—	18,751	30,358	—
Collection of long-term loans .....	8,768	—	—	72,945
Collection of other investments .....	18,009	—	—	149,825
Decrease (increase) in time deposits, net .....	27,834	2,061	(31,887)	231,564
Other, net .....	2,966	5,972	14,285	24,676
Net cash provided by investing activities .....	<b>82,241</b>	<b>26,390</b>	<b>35,963</b>	<b>684,202</b>
<b>Cash Flows from Financing Activities:</b>				
Proceeds from long-term debt .....	52,318	29,563	55,876	435,258
Repayment of long-term debt .....	(163,510)	(102,801)	(200,969)	(1,360,316)
Increase (decrease) in short-term debt, net .....	(165,616)	(12,877)	4,043	(1,377,837)
Cash dividends paid to minority stockholders .....	(352)	(316)	(313)	(2,928)
Proceeds from stock issuance .....	72,000	—	30,886	599,001
Other, net .....	2,420	252	5,906	20,133
Net cash used in financing activities .....	<b>(202,740)</b>	<b>(86,179)</b>	<b>(104,571)</b>	<b>(1,686,689)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b> .....	<b>(7,331)</b>	<b>5,705</b>	<b>4,907</b>	<b>(60,990)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b> .....	<b>(46,528)</b>	<b>17,588</b>	<b>(15,298)</b>	<b>(387,088)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b> .....	<b>140,291</b>	<b>124,476</b>	<b>140,941</b>	<b>1,167,146</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents with Changes in Scope of Consolidation</b> .....	<b>165</b>	<b>(1,773)</b>	<b>(1,167)</b>	<b>1,373</b>
<b>Cash and Cash Equivalents at End of Year (Note 15)</b> .....	<b>¥ 93,928</b>	<b>¥140,291</b>	<b>¥124,476</b>	<b>\$ 781,431</b>

See accompanying Notes to Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOMEN CORPORATION AND CONSOLIDATED SUBSIDIARIES

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## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by TOMEN CORPORATION (the “Company”) and its consolidated subsidiaries in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards or accounting principles generally accepted in the United States of America. Overseas subsidiaries maintain their records in conformity with accounting principles generally accepted in their respective countries. In general, no adjustments to the account of overseas consolidated subsidiaries have been reflected in the accompanying consolidated financial statements to present them in compliance with Japanese accounting principles and practices followed by the Company.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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## 2. Summary of Significant Accounting Policies

### **Principles of Consolidation:**

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (the “Companies”) over which the Company has ability of control through its voting right or certain conditions. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in significant affiliates over which the Company has ability to exercise significant influence over operating and financial policies of the investee, are accounted for the equity method.

The difference between the cost of the Companies’ investments in subsidiaries and affiliates and the equity in the fair value of their net assets at the dates of acquisition is, with minor exceptions, being amortized over a period of five to fifteen years.

Certain subsidiaries and affiliates use a fiscal year ending on or after December 31, but prior to the Company’s fiscal year-end of March 31. Material differences in intercompany transactions and accounts arising from the use of the different fiscal year-ends are appropriately adjusted in consolidation.

### **Cash and Cash Equivalents:**

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

### **Translation of Foreign Currencies:**

Effective April 1, 2000, the Company and its domestic consolidated subsidiaries adopted “Accounting Standard for Foreign Currency Transactions,” which was issued by the Business Accounting Deliberation Council.

Current and non current assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect at each fiscal year-ends and the translation gains and losses are included in income.

All assets, liabilities, revenue and expenses in the financial statements of overseas subsidiaries and affiliates are translated into Japanese yen at the current exchange rate of the respective fiscal year-end and stockholders’ equity are translated at the historical rates. The resulting foreign cur-

rency translation adjustments are shown as a separate component of stockholders' equity, net of minority interests.

**Inventories:**

Inventories, consisting of commodities and merchandise, are stated at cost, using principally the first-in, first-out method.

**Marketable Securities and Investments in Securities:**

Effective April 1, 2000, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Financial Instruments", which was issued by the Business Accounting Deliberation Council.

Marketable securities and investments in securities are classified and accounted for as follows;

- (a) Trading securities are stated at fair market value. Gains and losses realized on sales or disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the fluctuation.
- (b) Other securities are carried at fair market value, with the unrealized holding gains and losses, net of tax, reported as a separate component of stockholders' equity. For the purpose of computing realized gains and losses, the cost of these securities is determined by the moving average method.

Other securities that do not have readily determinable fair market value are recorded at cost, being determined by the moving average method.

**Depreciation:**

Property and equipment are stated at cost. Depreciation of property and equipment is computed principally by the declining balance method over the estimated useful lives of the assets, except that foreign consolidated subsidiaries compute depreciation by the straight-line method.

The principal estimated useful lives for calculating depreciation are as follows:

Building	7 to 50 years
Equipment and fixture	12 to 17 years

**Internal-use Software Costs:**

The Company and its consolidated subsidiaries include internal-use software in "Other Assets" and amortize it by the straight-line method over the estimated useful life within seven years.

**Deferred Charges:**

Deferred charges of domestic consolidated subsidiaries are amortized over the periods stipulated by the Commercial Code on a straight-line basis. Those of foreign consolidated subsidiaries are amortized over the periods determined in conformity with accounting principles generally accepted in their respective countries on a straight-line basis.

**Allowance for Doubtful Receivables:**

Allowance for doubtful receivables is provided for possible losses on collection of trade, loan and other receivables. In general, the amount of allowance is determined based on the past loss experience. For receivables from debtors at risk of bankruptcy and legally or substantially bankrupt debtors, the allowance is provided for individually estimated unrecoverable amounts.

**Accrued Retirement Benefits:**

Accrued Retirement Benefits are provided for the payment of employees' retirement benefits, and represent the required amount derived from estimated retirement benefit obligation less estimated pension assets at the end of the fiscal year.

Unrecognized net transition obligation at the date of adopting new accounting standard is charged to income on a straight-line basis mainly over 11 years (5–15 years in case of some consolidated subsidiaries).

Unrecognized prior service cost is amortized and charged to income on a straight-line basis over a constant period of years (mainly 5 years), which does not exceed the average remaining service years of employees at the end of the fiscal year when it is incurred. This amortization is started from the year when the cost is incurred.

Unrecognized actuarial difference is amortized and charged to income on a straight-line basis over a constant period of years (mainly 11 years), which does not exceed the average remaining service years of employees at the end of the fiscal year when the actuarial difference is incurred. This amortization is started from the following year after the difference is incurred.

#### **Total Trading Transactions and Gross Trading Profit:**

As general trading companies, the Company and certain of its consolidated subsidiaries act either as principal or agent in trading transactions. Total trading transactions represent the sales value of all those transactions in which the Company participates, whether as principal or agent.

Gross trading profit consists of gross margin (sales, less cost of sales) on principal transactions, and commissions on agency transactions.

#### **Research and Development Costs:**

Research and development costs are charged to expense when incurred. Research and development costs for the years ended March 31, 2003, 2002 and 2001 were ¥1,667 million (\$13,869 thousand), ¥2,075 million and ¥1,021 million, respectively.

#### **Income Taxes:**

Deferred tax assets and liabilities are recognized based on the difference between the carrying amounts in the financial statements and the tax bases of assets and liabilities using enacted statutory income tax rates in effect at the balance sheet dates.

#### **Lease Transactions:**

Accounting procedures for finance lease transactions other than those in which the ownership rights to the leased property will be transferred to the lessees, conform to the method related to operating lease transactions.

#### **Derivatives and Hedge Accounting:**

The Companies use derivative instruments, in the normal course of business, which primarily comprise of forward exchange contracts, currency option contracts, currency swap contracts, interest rate swap contracts and security and commodity future contracts to reduce its exposure to market risks from fluctuations in foreign exchange rates, interest rates and security and commodity prices. The Companies do not use derivative instruments for trading or speculative purposes, except for using derivative instruments for trading purpose within the limited amount to earn short-term profit.

The Companies do not use derivative instruments with highly fluctuation of the fair value corresponding to the change in the fair value of the hedged transactions. Also the Companies minimize credit risk associated with the derivative instruments by entering into such transactions with credit-worthy financial institutions.

Derivative instruments are stated at fair value. If derivative instruments meet certain hedging criteria, the Companies defer the recognition of gains or losses until the hedged transactions occur.

#### **Net Income per Share:**

Effective April 1, 2002, the Company adopted "Accounting Standard for Earnings Per Share" and "Guideline for the Accounting Standard for Earnings Per Share" issued by the Accounting Standards Board of Japan. The computation of basic net income per share is based upon the weighted average number of shares of common stock outstanding during each period. The computation of diluted net income per share is based upon the weighted average number of shares of common stock outstanding during each period after consideration of dilutive effect of common stock equivalents which include warrants and convertible bonds.

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### **3. United States Dollar Amounts**

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.2=U.S. \$1, the approximate rate of exchange prevailing at March 31, 2003 has been used in translation. The inclusion of such amounts are not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rates.

## 4. Marketable Securities and Investments in Securities

Information regarding each category of the securities classified as trading securities and other securities at March 31, 2003 and 2002 was as follows:

	Millions of Yen					
	2003			2002		
	Cost	Unrealized losses	Fair value	Cost	Unrealized losses	Fair value
Securities classified as:						
Trading securities .....			¥ 15			¥ 41
Other securities for which market value is readily determinable:						
Equity securities .....	¥38,656	¥(3,040)	¥35,616	¥65,459	¥(14,589)	¥50,870
Debt securities .....	3,796	(72)	3,724	4,151	(415)	3,736
Other securities .....	3,787	(16)	3,771	6,687	(1)	6,686
	<b>¥46,239</b>	<b>¥(3,128)</b>	<b>¥43,111</b>	<b>¥76,297</b>	<b>¥(15,005)</b>	<b>¥61,292</b>

At March 31, 2003	Thousands of U.S. Dollars		
	Cost	Unrealized losses	Fair value
Securities classified as:			
Trading securities .....			\$ 125
Other securities for which market value is readily determinable:			
Equity securities .....	\$321,597	\$(25,291)	\$296,306
Debt securities .....	31,580	(599)	30,981
Other securities .....	31,506	(133)	31,373
	<b>\$384,683</b>	<b>\$(26,023)</b>	<b>\$358,660</b>

The following securities, which have no readily determinable fair market value, were excluded from the above presentation at March 31, 2003 and 2002:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Other securities:			
Equity securities (excluding over-the-counter securities)...	¥27,908	¥37,075	\$232,180
Debt securities .....	2	242	17
	<b>¥27,910</b>	<b>¥37,317</b>	<b>\$232,197</b>

Total sales of other securities sold in the year ended March 31, 2003 amounted to ¥16,060 million (\$133,611 thousand) and the related gains and losses amounted to ¥1,111 million (\$9,243 thousand) and ¥3,517 million (\$29,260 thousand), respectively.

The carrying values by maturity for securities classified as other securities at March 31, 2003 were as follows:

At March 31, 2003	Millions of Yen	Thousands of U.S. Dollars
	Due in one year or less .....	¥3,609
Due after one year through five years .....	665	5,532
Due after five years through ten years .....	—	—
Due after ten years .....	3,049	25,366
	<b>¥7,323</b>	<b>\$60,923</b>

## 5. Pledged Assets

At March 31, 2003 and 2002, the following assets were pledged as collateral for certain obligations of the Companies.

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Time deposits .....	¥ 2,062	¥ 24,421	\$ 17,155
Investments in Securities .....	27,684	68,890	230,316
Trade notes and accounts, receivables .....	15,137	22,359	125,932
Inventories .....	7,760	26,484	64,559
Property and equipment, net book value .....	36,268	165,791	301,730
Other assets .....	3,017	6,024	25,100
<b>Total .....</b>	<b>¥91,928</b>	<b>¥313,969</b>	<b>\$764,792</b>

## 6. Short-term Loans and Long-term Debt

The average annual interest rates applicable to short-term loans outstanding at March 31, 2003 and 2002 were 1.75% and 1.68%, respectively.

Long-term debt at March 31, 2003 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Yen 2.35% Bonds due 2002 .....	—	¥ 10,000	—
Yen 2.00% Mortgage Bonds due 2003 .....	—	150	—
Yen 2.00% Mortgage Bonds due 2003 .....	—	150	—
Yen 3.00% Bonds due 2004 .....	—	8,200	—
Yen 0.47% Bonds due 2004 .....	¥ 100	100	\$ 832
US\$ 7.73% Bonds due 2015 .....	—	15,814	—
Yen 0.90% Bonds due 2009 .....	200	—	1,664
US\$ 6.00% Convertible Bonds due 2009 (First) .....	1,222	—	10,166
US\$ 6.00% Convertible Bonds due 2009 (Second) .....	1,735	—	14,434
<b>Secured loans .....</b>	<b>34,722</b>	<b>81,034</b>	<b>288,869</b>
<b>Unsecured loans .....</b>	<b>185,793</b>	<b>262,029</b>	<b>1,545,699</b>
	<b>223,772</b>	<b>377,477</b>	<b>1,861,664</b>
<b>Less current portion .....</b>	<b>(100,897)</b>	<b>(116,121)</b>	<b>(839,409)</b>
	<b>¥122,875</b>	<b>¥261,356</b>	<b>\$1,022,255</b>

The information of convertible bonds with stock acquisition rights is as follows:

Description	First	Second
Class of shares to be acquired	Common stock	Common stock
Issue price of the stock acquisition rights	Zero coupon	Zero coupon
Issue price (Yen)	¥1,050	¥1,050
Total amount (¥ millions)	1,222	1,735
Total amount of issued shares due to exercise of stock acquisition rights	—	—
Rate of stock acquisition rights (%)	100	100
Exercise period of stock acquisition rights	November 6, 2002 to September 29, 2009	March 28, 2003 to September 29, 2009

Upon exercise of the stock acquisition rights, it shall be deemed that the amounts are fully paid in lieu of the full redemption of the convertible bonds. And the issue price described above is only a planned amount.

The average of annual interest rates applicable to long-term debt outstanding at March 31, 2003 and 2002 were 2.91% and 3.25%, respectively.

As is customary in Japan, short-term and long-term bank borrowings are made under general agreements which provide that additional securities and guarantees for present and future indebtedness will be given upon the request of the banks, and that any collateral so provided will be applicable to all indebtedness due to such banks. In addition, the agreements provide that the banks have the right to offset cash deposited against short-term and long-term borrowings that become due and, in case of default and certain other specified events, against all other debt payable to the banks. No such request has been made to date.

Annual maturities of long-term debt subsequent to March 31, 2003 were as follows:

Years ending March 31,	Thousands of	
	Millions of Yen	U.S. Dollars
2004 .....	<b>¥100,897</b>	<b>\$ 839,409</b>
2005 .....	<b>76,153</b>	<b>633,552</b>
2006 .....	<b>20,283</b>	<b>168,744</b>
2007 .....	<b>6,283</b>	<b>52,271</b>
2008 .....	<b>7,167</b>	<b>59,626</b>
2009 and thereafter .....	<b>12,989</b>	<b>108,062</b>
<b>Total .....</b>	<b>¥223,772</b>	<b>\$1,861,664</b>

## 7. Stockholders' Equity

Under the Commercial Code of Japan (the "Code"), the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, following a resolution from its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as capital surplus.

Until September 30, 2001, the Code used to provide that an amount equal to at least 10% of cash disbursements from retained earnings (dividends and bonuses to members of the Board, etc.), be appropriated from retained earnings as a legal reserve until the legal reserve equals 25% of stated capital. This reserve could be used to reduce a deficit or be transferred to stated capital by appropriate legal procedures. However, effective October 1, 2001, the Code provides that no further appropriation is required as a legal reserve when the total amount of the legal reserve and capital surplus together equals 25% or more of stated capital, and that in cases where they do exceed the 25%, the excess amount may be made available for distribution following a resolution made by the stockholders.

In addition to the above, the Code provides that all appropriations of retained earnings, except for interim cash dividends, be approved at an ordinary general stockholders' meeting. This meeting is held within three months of the close of the Company's fiscal year ending March 31. In accordance with customary practice in Japan, appropriations of retained earnings are not accrued in the financial statements for the year to which they relate, but are recorded in the succeeding fiscal year after stockholders' approval has been obtained.

As is customary practice in Japan, the payment of bonuses to directors and corporate auditors is made out of retained earnings instead of being charged to income for the year and constitutes a part of the appropriations cited above.



## 8. Lease Transactions

### Finance Leases

Finance leases transactions excluding those in which ownership rights to the leased property would be transferred to the lessees for the years ended March 31, 2003 and 2002 were as follows:

(Lessee)

The following pro forma amounts represent the acquisition cost, accumulated depreciation, and net book value of leased assets at March 31, 2003 and 2002.

	Millions of Yen					
	2003			2002		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Equipment .....	<b>¥2,296</b>	<b>¥(1,036)</b>	<b>¥1,260</b>	¥4,401	¥(2,406)	¥1,995
Fixture .....	<b>4,606</b>	<b>(2,788)</b>	<b>1,818</b>	4,944	(3,039)	1,905
Other .....	<b>32</b>	<b>(23)</b>	<b>9</b>	37	(19)	18
<b>Total .....</b>	<b>¥6,934</b>	<b>¥(3,847)</b>	<b>¥3,087</b>	<b>¥9,382</b>	<b>¥(5,464)</b>	<b>¥3,918</b>

	Thousands of U.S. Dollars		
	Acquisition cost	Accumulated depreciation	Net book value
At March 31, 2003			
Equipment .....	<b>\$19,102</b>	<b>\$ (8,619)</b>	<b>\$10,483</b>
Fixture .....	<b>38,319</b>	<b>(23,195)</b>	<b>15,124</b>
Other .....	<b>266</b>	<b>(191)</b>	<b>75</b>
<b>Total .....</b>	<b>\$57,687</b>	<b>\$ (32,005)</b>	<b>\$25,682</b>

Future minimum lease payments:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year .....	<b>¥1,222</b>	¥1,639	<b>\$10,166</b>
Due after one year .....	<b>1,910</b>	2,450	<b>15,890</b>
<b>Total .....</b>	<b>¥3,132</b>	<b>¥4,089</b>	<b>\$26,056</b>

Annual lease payments excluding sub lease transactions for the years ended March 31, 2003, 2002 and 2001 amounted to ¥1,133 million (\$9,426 thousand), ¥1,751million and ¥1,851 million, respectively.

Depreciation for the years ended March 31, 2003, 2002 and 2001 amounted to ¥1,133 million (\$9,426 thousand), ¥1,751million and ¥1,851 million, respectively.

The amount of acquisition costs and future minimum lease payments under finance leases included the imputed interest expense portion.

Depreciation of the leased assets was calculated by the straight-line method over the respective lease terms being equal to the expected years of useful life, assuming that the estimated end-of-life salvage value was zero.

(Lessor)

Future minimum lease payments to be received:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year .....	<b>¥72</b>	¥158	<b>\$599</b>
Due after one year .....	<b>17</b>	54	<b>141</b>
<b>Total .....</b>	<b>¥89</b>	<b>¥212</b>	<b>\$740</b>

## Noncancelable Operating Leases

Future minimum lease payments under agreements classified as operating leases with noncancelable terms for the years ended March 31, 2003 and 2002 were as follows:

(Lessee)

Future minimum lease payments:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year .....	¥ 2,190	¥ 2,319	\$ 18,220
Due after one year .....	12,887	14,754	107,213
<b>Total .....</b>	<b>¥15,077</b>	<b>¥17,073</b>	<b>\$125,433</b>

(Lessor)

Future minimum lease payments to be received:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year .....	¥172	¥153	\$1,431
Due after one year .....	380	385	3,161
<b>Total .....</b>	<b>¥552</b>	<b>¥538</b>	<b>\$4,592</b>

## 9. Segment Information

The Company and its consolidated subsidiaries are engaged in diverse activities in a wide range of fields in Japan and overseas, including the buying and selling of various goods, the provision of financial and other services, and the planning, coordination and integration of various types of projects.

### Information by Operation

Information by operation for the years ended March 31, 2003, 2002 and 2001 was as follows:

Year ended March 31, 2003	Millions of Yen								Consolidated
	Chemicals & Energy	Produce & Foodstuffs	Textiles	Machinery	Construction & Real Estate	Others	Total	Elimination or Unallocated	
<b>Total Trading Transactions:</b>									
Outside customers .....	¥978,341	¥230,473	¥320,039	¥459,208	¥14,613	¥80,224	¥2,082,898	—	¥2,082,898
Inter-segment .....	2,405	114	1,505	1,071	33	4,156	9,284	¥ (9,284)	—
<b>Total .....</b>	<b>¥980,746</b>	<b>¥230,587</b>	<b>¥321,544</b>	<b>¥460,279</b>	<b>¥14,646</b>	<b>¥84,380</b>	<b>¥2,092,182</b>	<b>¥ (9,284)</b>	<b>¥2,082,898</b>
Operating expenses .....	¥966,557	¥223,198	¥317,260	¥454,760	¥15,828	¥83,140	¥2,060,743	¥ (3,506)	¥2,057,237
Operating income (loss) .....	14,189	7,389	4,284	5,519	(1,182)	1,240	31,439	(5,778)	25,661
Total assets .....	273,925	75,478	88,437	268,750	66,576	56,263	829,429	142,284	971,713
Depreciation .....	3,601	1,707	97	2,179	889	819	9,292	607	9,899
Capital expenditure .....	15,614	464	30	2,320	18	164	18,610	38	18,648

Year ended March 31, 2002	Millions of Yen								Consolidated
	Chemicals & Energy	Produce & Foodstuffs	Textiles	Machinery	Construction & Real Estate	Others	Total	Elimination or Unallocated	
<b>Total Trading Transactions:</b>									
Outside customers .....	¥1,150,126	¥266,369	¥398,011	¥417,160	¥ 12,026	¥141,156	¥2,384,848	—	¥2,384,848
Inter-segment .....	3,670	99	1,999	879	43	4,447	11,137	¥(11,137)	—
<b>Total .....</b>	<b>¥1,153,796</b>	<b>¥266,468</b>	<b>¥400,010</b>	<b>¥418,039</b>	<b>¥ 12,069</b>	<b>¥145,603</b>	<b>¥2,395,985</b>	<b>¥ (11,137)</b>	<b>¥2,384,848</b>
Operating expenses .....	¥1,143,450	¥257,479	¥394,471	¥413,694	¥ 11,605	¥144,011	¥2,364,710	¥ (5,060)	¥2,359,650
Operating income .....	10,346	8,989	5,539	4,345	464	1,592	31,275	(6,077)	25,198
Total assets .....	279,818	100,043	104,376	368,238	255,299	99,288	1,207,062	241,199	1,448,261
Depreciation .....	3,058	1,951	106	2,772	702	841	9,430	651	10,081
Capital expenditure .....	2,668	802	28	7,048	583	183	11,312	894	12,206

Year ended March 31, 2001	Millions of Yen								Consolidated
	Chemicals & Energy	Produce & Foodstuffs	Textiles	Machinery	Construction & Real Estate	Others	Total	Elimination or Unallocated	
<b>Total Trading Transactions:</b>									
Outside customers .....	¥ 1,105,519	¥ 243,664	¥ 422,863	¥ 399,595	¥ 45,889	¥ 298,993	¥ 2,516,523	—	¥ 2,516,523
Inter-segment .....	3,302	25	1,026	1,316	54	6,915	12,638	¥ (12,638)	—
<b>Total .....</b>	<b>¥ 1,108,821</b>	<b>¥ 243,689</b>	<b>¥ 423,889</b>	<b>¥ 400,911</b>	<b>¥ 45,943</b>	<b>¥ 305,908</b>	<b>¥ 2,529,161</b>	<b>¥ (12,638)</b>	<b>¥ 2,516,523</b>
Operating expenses .....	¥ 1,089,625	¥ 235,742	¥ 418,217	¥ 396,589	¥ 45,663	¥ 302,610	¥ 2,488,446	¥ (6,778)	¥ 2,481,668
Operating income .....	19,196	7,947	5,672	4,322	280	3,298	40,715	(5,860)	34,855
Total assets .....	257,029	108,511	117,657	395,154	231,983	130,202	1,240,536	310,729	1,551,265
Depreciation .....	2,467	2,078	239	2,021	613	1,355	8,773	893	9,666
Capital expenditure .....	1,187	611	65	1,914	5,630	162	9,569	1,564	11,133

Year ended March 31, 2003	Thousands of U.S. Dollars								Consolidated
	Chemicals & Energy	Produce & Foodstuffs	Textiles	Machinery	Construction & Real Estate	Others	Total	Elimination or Unallocated	
<b>Total Trading Transactions:</b>									
Outside customers .....	\$ 8,139,276	\$ 1,917,413	\$ 2,662,554	\$ 3,820,366	\$ 121,572	\$ 667,421	\$ 17,328,602	—	\$ 17,328,602
Inter-segment .....	20,008	948	12,521	8,910	275	34,576	77,238	\$ (77,238)	—
<b>Total .....</b>	<b>\$ 8,159,284</b>	<b>\$ 1,918,361</b>	<b>\$ 2,675,075</b>	<b>\$ 3,829,276</b>	<b>\$ 121,847</b>	<b>\$ 701,997</b>	<b>\$ 17,405,840</b>	<b>\$ (77,238)</b>	<b>\$ 17,328,602</b>
Operating expenses .....	\$ 8,041,239	\$ 1,856,888	\$ 2,639,434	\$ 3,783,361	\$ 131,681	\$ 691,681	\$ 17,144,284	\$ (29,168)	\$ 17,115,116
Operating income (loss) .....	118,045	61,473	35,641	45,915	(9,834)	10,316	261,556	(48,070)	213,486
Total assets .....	2,278,910	627,937	735,749	2,235,857	553,877	468,078	6,900,408	1,183,727	8,084,135
Depreciation .....	29,958	14,201	807	18,128	7,396	6,814	77,304	5,050	82,354
Capital expenditure .....	129,900	3,860	250	19,301	150	1,364	154,825	316	155,141

Notes: (1) Unallocated operating expenses included in the column "Elimination or Unallocated" amount to ¥5,797 million (\$48,228 thousand), ¥6,135 million and ¥5,839 million for the years ended March 31, 2003, 2002 and 2001, respectively. Major items include expense, relating to administrative operations.

(2) Unallocated corporate assets included in the column "Elimination or Unallocated" amount to ¥144,041 million (\$1,198,344 thousand), ¥261,584 million and ¥321,276 million for the years ended March 31, 2003, 2002 and 2001, respectively. Major items are cash, deposits and securities pertaining to financial activities.

## Information by Geographic Area

Information by geographic area for the years ended March 31, 2003, 2002 and 2001 was as follows:

Year ended March 31, 2003	Millions of Yen						Elimination or Unallocated	Consolidated
	Japan	North America	Europe	Asia/Oceania	Others	Total		
<b>Total Trading Transactions:</b>								
Outside customers .....	¥1,830,708	¥ 65,971	¥ 32,049	¥ 141,593	¥ 12,577	¥ 2,082,898	—	¥ 2,082,898
Inter-segment .....	72,670	63,417	6,083	25,944	273	168,387	¥(168,387)	—
<b>Total .....</b>	<b>¥1,903,378</b>	<b>¥129,388</b>	<b>¥ 38,132</b>	<b>¥ 167,537</b>	<b>¥ 12,850</b>	<b>¥ 2,251,285</b>	<b>¥(168,387)</b>	<b>¥ 2,082,898</b>
Operating expenses .....	¥1,881,505	¥132,676	¥ 36,690	¥ 163,878	¥ 10,855	¥ 2,225,604	¥(168,367)	¥ 2,057,237
Operating income (loss) .....	21,873	(3,288)	1,442	3,659	1,995	25,681	(20)	25,661
Total assets .....	884,481	136,667	42,054	106,440	28,606	1,198,248	(226,535)	971,713

Year ended March 31, 2002	Millions of Yen						Elimination or Unallocated	Consolidated
	Japan	North America	Europe	Asia/Oceania	Others	Total		
<b>Total Trading Transactions:</b>								
Outside customers .....	¥ 2,109,599	¥ 88,196	¥ 33,572	¥ 137,409	¥ 16,072	¥ 2,384,848	—	¥ 2,384,848
Inter-segment .....	43,852	68,292	10,494	23,960	341	146,939	¥(146,939)	—
<b>Total .....</b>	<b>¥ 2,153,451</b>	<b>¥ 156,488</b>	<b>¥ 44,066</b>	<b>¥ 161,369</b>	<b>¥ 16,413</b>	<b>¥ 2,531,787</b>	<b>¥(146,939)</b>	<b>¥ 2,384,848</b>
Operating expenses .....	¥ 2,134,080	¥ 157,290	¥ 41,750	¥ 160,384	¥ 13,151	¥ 2,506,655	¥(147,005)	¥ 2,359,650
Operating income (loss) .....	19,371	(802)	2,316	985	3,262	25,132	66	25,198
Total assets .....	1,244,882	185,068	86,893	121,436	45,873	1,684,152	(235,891)	1,448,261

Year ended March 31, 2001	Millions of Yen							Elimination or Unallocated	Consolidated
	Japan	North America	Europe	Asia/Oceania	Others	Total			
<b>Total Trading Transactions:</b>									
Outside customers .....	¥2,248,772	¥ 90,330	¥20,798	¥144,692	¥11,931	¥2,516,523	—	¥2,516,523	
Inter-segment .....	36,381	69,447	9,621	27,963	176	143,588	¥(143,588)	—	
Total .....	¥2,285,153	¥159,777	¥30,419	¥172,655	¥12,107	¥2,660,111	¥(143,588)	¥2,516,523	
Operating expenses .....	¥2,258,966	¥157,756	¥32,438	¥165,548	¥10,456	¥2,625,164	¥(143,496)	¥2,481,668	
Operating income (loss) .....	26,187	2,021	(2,019)	7,107	1,651	34,947	(92)	34,855	
Total Assets .....	1,344,391	172,487	83,842	107,993	37,270	1,745,983	(194,718)	1,551,265	

Year ended March 31, 2003	Thousands of U.S. Dollars							Elimination or Unallocated	Consolidated
	Japan	North America	Europe	Asia/Oceania	Others	Total			
<b>Total Trading Transactions:</b>									
Outside customers .....	\$15,230,516	\$ 548,843	\$266,631	\$1,177,978	\$104,634	\$17,328,602	—	\$17,328,602	
Inter-segment .....	604,576	527,596	50,607	215,840	2,271	1,400,890	\$ (1,400,890)	—	
Total .....	\$15,835,092	\$1,076,439	\$317,238	\$1,393,818	\$106,905	\$18,729,492	\$ (1,400,890)	\$17,328,602	
Operating expenses .....	\$15,653,120	\$1,103,793	\$305,241	\$1,363,378	\$ 90,308	\$18,515,840	\$ (1,400,724)	\$17,115,116	
Operating income (loss) .....	181,972	(27,354)	11,997	30,440	16,597	213,652	(166)	213,486	
Total assets .....	7,358,411	1,136,997	349,867	885,524	237,987	9,968,786	(1,884,651)	8,084,135	

### Overseas Trading Transactions

Overseas trading transactions with outside customers, which represent exports from Japan and offshore transactions of the Companies for the years ended March 31, 2003, 2002 and 2001 were as follows:

	Millions of Yen						
	2003					2002	2001
	North America	Europe	Asia/Oceania	Other	Total	Total	Total
Overseas trading transactions with outside customers ....	¥167,981	¥214,090	¥448,112	¥60,540	¥890,723	¥1,085,449	¥999,872
Percentage of Total Trading Transactions .....	8.0%	10.3%	21.5%	2.9%	42.7%	45.5%	39.7%

	Thousands of U.S. Dollars				
	2003				
	North America	Europe	Asia/Oceania	Other	Total
Overseas trading transactions with outside customers ....	\$1,397,512	\$1,781,115	\$3,728,053	\$503,661	\$7,410,341

## 10. Sales to and Purchases from Unconsolidated Subsidiaries and Affiliates

Sales to and purchases from unconsolidated subsidiaries and affiliates for the years ended March 31, 2003, 2002 and 2001 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	2003
Sales .....	<b>¥44,705</b>	¥54,533	¥68,872	<b>\$371,922</b>
Purchases .....	<b>33,265</b>	47,443	51,344	<b>276,747</b>

## 11. Deferred Taxes

Significant components of deferred tax assets and liabilities at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>Deferred tax assets:</b>			
Allowance for doubtful receivables .....	<b>¥ 16,326</b>	¥ 2,699	<b>\$ 135,824</b>
Loss on revaluation of investments in unconsolidated subsidiaries and affiliates .....	<b>32,260</b>	24,533	<b>268,386</b>
Accrued retirement benefits .....	<b>2,302</b>	2,064	<b>19,151</b>
Unrealized intercompany profit .....	<b>481</b>	264	<b>4,002</b>
Unrealized loss on other securities .....	<b>2,549</b>	4,835	<b>21,206</b>
Loss on revaluation of investments in securities .....	<b>7,534</b>	2,664	<b>62,679</b>
Operating loss carry forwards .....	<b>10,877</b>	39,171	<b>90,491</b>
Other .....	<b>7,357</b>	15,741	<b>61,206</b>
Gross deferred tax assets .....	<b>79,686</b>	91,971	<b>662,945</b>
Valuation allowance .....	<b>(46,654)</b>	(27,934)	<b>(388,136)</b>
Total deferred tax assets .....	<b>33,032</b>	64,037	<b>274,809</b>
<b>Deferred tax liabilities:</b>			
Depreciation .....	<b>1,810</b>	1,703	<b>15,058</b>
Unrealized profit on other securities .....	<b>168</b>	794	<b>1,398</b>
Other .....	<b>4,748</b>	7,853	<b>39,501</b>
Gross deferred tax liabilities .....	<b>6,726</b>	10,350	<b>55,957</b>
Net deferred tax assets .....	<b>¥26,306</b>	¥53,687	<b>\$ 218,852</b>

On March 31, 2003, the law governing municipal tax has revised to impose enterprise tax through "pro forma standard taxation" starting from the fiscal year beginning April 1, 2004. According to this tax reform act, the enterprise tax rate will decline starting from the fiscal year beginning April 1, 2004. As a result, statutory income tax rate will decline from 40.4% to 39.4%. The newly enacted tax rate was used in calculating the future expected tax effects of temporary differences to be realized after April 1, 2004, as of March 31, 2003. Consequently, deferred tax assets (net of deferred tax liabilities) decreased by ¥614 million (\$5,108 thousand), and income taxes-deferred and net unrealized holding losses on other securities increased by ¥592 million (\$4,925 thousand) and ¥21 million (\$175 thousand), respectively.

Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2002 was as follows:

	2002
Statutory income tax rate .....	40.4%
Difference in tax rates for foreign subsidiaries .....	(1.2)
Equity in earnings of unconsolidated subsidiaries and affiliates .....	(11.4)
Valuation allowance .....	35.2
Expenses not deductible for income tax purposes .....	2.3
Other .....	(3.4)
Effective income tax rate .....	<u>61.9%</u>

For the year ended March 31, 2003, reconciliation of the difference between the statutory income tax rate and the effective income tax rate was omitted because of recording loss before income taxes.

## 12. Contingent Liabilities

The Companies guaranteed payment of loans granted by financial institutions to their customers and suppliers in an amount of ¥21,798 million (\$181,348 thousand) at March 31, 2003.

The Companies were contingently liable for trade notes receivable discounted with banks and endorsed to suppliers in an amount of ¥12,248 million (\$101,897 thousand) at March 31, 2003.

## 13. Derivative Instruments

Fair value and unrealized gains (losses) on the contract amount of derivative instruments at March 31, 2003 and 2002 were as follows:

Currency Related:	Millions of Yen						Thousands of U.S. Dollars		
	2003			2002			2003		
	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)
Forward exchange contracts:									
Selling:									
U.S. dollars .....	¥51,424	¥51,494	¥ (70)	¥22,879	¥23,989	¥(1,110)	\$427,820	\$428,402	\$ (582)
Euro .....	2,197	2,265	(68)	—	—	—	18,278	18,844	(566)
Australian dollars .....	15	15	—	93	96	(3)	125	125	—
Other currencies .....	1,945	2,081	(136)	779	788	(9)	16,182	17,313	(1,131)
Buying:									
U.S. dollars .....	60,951	61,249	298	72,356	73,714	1,358	507,080	509,559	2,479
Other currencies .....	5,478	5,772	294	5,381	5,510	129	45,574	48,020	2,446
Currency swap contracts:									
Australian dollars .....	2,000	192	192	3,000	413	413	16,639	1,597	1,597
Total .....			<u>¥ 510</u>			<u>¥ 778</u>			<u>\$4,243</u>

Note: "Euro" (forward exchange contracts—selling) at March 31, 2002 was included in "Other currencies" due to the immaterial amount, and it was disclosed at March 31, 2003 due to the increase of materiality. "Contract amount," "Fair value" and "Unrealized gains (losses)" of Euro at March 31, 2002 were ¥522 million, ¥525 million and ¥(3) million, respectively.

The fair value of forward exchange contracts is estimated based on the quoted market price.

The fair value of currency swap contracts is the quotes obtained from financial institutions.

**Interest Rate Related:**

	Millions of Yen						Thousands of U.S. Dollars		
	2003			2002			2003		
	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)
<b>Interest rate swap contracts:</b>									
Receipt-fixed/									
Payment-variable rate .....	¥21,500	¥ 660	¥ 660	¥72,250	¥3,879	¥3,879	\$178,869	\$ 5,491	\$ 5,491
Receipt-variable/									
Payment-fixed rate .....	26,000	(709)	(709)	58,419	(2,549)	(2,549)	216,306	(5,899)	(5,899)
<b>Total .....</b>			<u>¥ (49)</u>			<u>¥1,330</u>			<u>\$ (408)</u>

Note: The fair value of interest rate swap contracts is the quotes obtained from financial institutions.

**Security Related:**

	Millions of Yen						Thousands of U.S. Dollars		
	2003			2002			2003		
	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)
Security swap contracts .....	¥3,576	¥57	¥57	¥12,453	¥(2,572)	¥(2,572)	\$29,750	\$474	\$474
<b>Total .....</b>			<u>¥57</u>			<u>¥(2,572)</u>			<u>\$474</u>

Note: The fair value of security swap contracts is the quotes obtained from financial institutions.

**Commodity Related:**

	Millions of Yen						Thousands of U.S. Dollars		
	2003			2002			2003		
	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)
<b>Future contracts:</b>									
Produce & Foodstuffs									
Selling .....	¥4,330	¥4,342	¥ (12)	¥5,564	¥5,522	¥ 42	\$36,023	\$36,123	\$ (100)
Buying .....	4,563	4,541	(22)	5,094	5,015	(79)	37,962	37,779	(183)
Textiles									
Selling .....	1,628	1,736	(108)	—	—	—	13,544	14,443	(899)
Buying .....	1,469	1,556	87	—	—	—	12,221	12,945	724
<b>Forward contracts:</b>									
Metals									
Selling .....	2,201	2,120	81	802	863	(61)	18,311	17,637	674
Buying .....	2,041	1,922	(119)	350	364	14	16,980	15,990	(990)
<b>Total .....</b>			<u>¥ (93)</u>			<u>¥(84)</u>			<u>\$ (774)</u>

Note: Contract amounts of swap contracts related currency and interest rate are represented by notional amounts which are not appropriate for evaluating market or credit risk.

## 14. Accrued Retirement Benefits

The Company and certain domestic subsidiaries maintain the welfare pension fund plan, the qualified retirement-funded pension plan and the lump-sum retirement benefit plan. Retirement benefits to employees under those plans are determined by reference to current basic rates of pay and length of service. Certain overseas subsidiaries maintain defined contribution plans.

Benefit obligation, plan assets and funded status of the Companies at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Projected benefit obligation .....	<b>¥60,453</b>	¥63,356	<b>\$502,936</b>
Plan assets at fair value.....	<b>(21,687)</b>	(27,058)	<b>(180,424)</b>
Unrecognized net transition obligation at date of adoption.....	<b>(14,490)</b>	(16,404)	<b>(120,549)</b>
Unrecognized actuarial loss .....	<b>(17,148)</b>	(13,668)	<b>(142,662)</b>
Unrecognized prior service cost.....	<b>(19)</b>	—	<b>(158)</b>
Accrued retirement benefits .....	<b>¥7,109</b>	¥6,226	<b>\$59,143</b>

Severance and pension costs of the Companies included the following components for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost.....	<b>¥2,722</b>	¥1,927	<b>\$22,646</b>
Interest cost .....	<b>1,497</b>	1,427	<b>12,454</b>
Expected return on plan assets .....	<b>(1,067)</b>	(890)	<b>(8,877)</b>
Effect of change from alternative method to principle method.....	—	(5)	—
Transition obligation at date of adoption.....	<b>1,954</b>	1,948	<b>16,256</b>
Actuarial losses .....	<b>1,202</b>	547	<b>10,000</b>
Prior service cost .....	<b>7</b>	—	<b>58</b>
Net periodic benefit cost .....	<b>¥6,315</b>	¥4,954	<b>\$52,537</b>

Assumptions used in the calculation for the defined benefits plan for the years ended March 31, 2003 and 2002 were as follows:

	2003	2002
Discount rate	2.5%	2.5%
Long-term rate of return on fund assets	4.5%	4.5%
Method of attributing benefits to periods of service	<b>Straight-line basis</b>	Straight-line basis
Amortization period for prior service cost	<b>5 year</b>	—
Amortization period for actuarial gains/losses	<b>11 year</b>	11 year
Amortization period for transition obligation at date of adoption	<b>5 to 15 year</b>	5 to 15 year



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## 15. Supplementary Cash Flow Information

Cash and cash equivalents at March 31, 2003, 2002 and 2001 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	2003
Cash and time deposits .....	<b>¥93,964</b>	¥166,569	¥159,259	<b>\$781,730</b>
Less, time deposits with deposit term of over three months .....	<b>(3,632)</b>	(32,874)	(34,783)	<b>(30,216)</b>
Add, marketable securities with maturity less than three months .....	<b>3,596</b>	6,596	—	<b>29,917</b>
Cash and cash equivalents .....	<b>¥93,928</b>	¥140,291	¥124,476	<b>\$781,431</b>

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## 16. Per Share Amount

The basis for calculation of net loss per share for the year ended March 31, 2003 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Net loss .....	<b>¥(66,970)</b>	<b>\$(557,155)</b>
Basic weighted average number of shares outstanding (1,000 shares) ....	<b>634,294</b>	<b>634,294</b>
Net loss per share .....	<b>¥(105.58)</b>	<b>c (87.84)</b>

The computation of diluted net income per share was omitted because of net loss per share.

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## 17. Reclassification and Revision

Certain reclassifications of previously reported amounts have been made to the consolidated balance sheet at March 31, 2002, the consolidated statements of income, stockholders' equity and cash flows for the years ended March 31, 2002 and 2001 to conform to the current year presentation. Such reclassifications have no effect on net assets, net income and cash flows.

In addition, certain footnote disclosures at March 31, 2002 and for the years ended March 31, 2002 and 2001 have been revised to conform to the current year presentation.

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## 18. Medium-term Management Plan

"Tomen Group Medium-term Management Plan" was resolved at the meeting of the Board of Directors held on December 27, 2002. The objective of the medium-term management plan is to improve the Company to be more competitive to earn trust from market by strengthening capital and business alliance with Toyota Tsusho, which is one of the Company's stockholders, promoting business reorganization and strengthening cost competitiveness under the instruction by Toyota Group. As a part of the medium-term management plan, with the disposal of risky assets, the Company disposed of certain risky assets and recorded loss on business restructuring amounting to ¥113,453 million (\$943,869 thousand) which consisted of loss on disposal or revaluation of real estate amounting to ¥101,946 million (\$848,137 thousand), provision for impaired receivables amounting to ¥6,230 million (\$51,830 thousand), provision for certain impaired overseas receivables amounting to ¥2,899 million (\$24,118 thousand) and loss on valuation of investments in securities amounting to ¥2,378 million (\$19,784 thousand). As a result, the net loss of

current fiscal year amounted to ¥66,970 million (\$557,155 thousand). As the action to this net loss and to increase the capital, the Company obtained the forgiveness of debt amounting to ¥110,000 million (\$915,141 thousand) from UFJ Bank and issued preferred stocks amounting to ¥72,000 million (\$599,001 thousand) to UFJ Bank and other major banks, as the financial support in March 2003. The Company also entered into an agreement with Toyota Group to increase the capital by third party allotment of new stocks amounting to ¥10,000 millions, which will be executed on September 29, 2003. The Company continues to obtain the understanding of its medium-term management plan from financial institutions and to keep close transaction relationship with them. As well as keeping the stable capital financing, it is planned to reduce part of interest-bearing debt in future.

## 19. Subsequent Events

Based on the medium-term management plan, which was resolved at the meeting of the Board of Directors held on December 27, 2002, capital reduction for the purpose of disposing of an accumulated deficit was resolved at the Stockholders' meeting held on June 27, 2003. Details are as follows:

### Capital reduction:

Amount	The current capitalized amount of ¥68,185 million will be reduced to ¥39,200 million.
Method	The capital reduction is planned without compensation, and without consolidation of stocks issued. There is no change in the number of stocks issued.

### Disposition of capital surplus:

Amount	¥15,443 million
Schedule:	
Creditors' objection due	August 4, 2003
Capital reduction effective	August 5, 2003

Capital increase by third party allotment of new shares was also resolved at the meeting of Board of Directors held on May 30, 2003. Details are as follows:

Stocks to be issued (1,000 shares)	Common stock	172,412
Issue price (Yen)	Per share	¥58
Total amount (¥ millions)		¥10,000
Capitalization as stated capital	Per share (Yen)	¥29
	Total (¥ millions)	¥5,000
Application period	June 9, 2003 to June 13, 2003	
Payment date	September 29, 2003	
Starting date for dividend calculation	April 1, 2003	
Third parties and shares (1,000 shares)	Toyota Tsusho Corporation	86,206
	Toyota Motor Corporation	86,206

It is planned to be used for working capital and repayment of loans.

## REPORT OF INDEPENDENT AUDITORS

### To the Board of Directors and Stockholders of TOMEN CORPORATION

We have audited the accompanying consolidated balance sheet of TOMEN CORPORATION and its consolidated subsidiaries as of March 31, 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statements of TOMEN CORPORATION as of March 31, 2002 and for each of the two years in the period ended March 31, 2002 were audited by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements in their report dated June 27, 2002.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOMEN CORPORATION and its consolidated subsidiaries as of March 31, 2003, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles and practices generally accepted in Japan.

As described in Note 19 "Subsequent Events," capital reduction plan and its schedule were resolved at the stockholders' meeting held on June 27, 2003, and capital increase plan by third party allotment of new stocks to Toyota Tsusho Corporation and Toyota Motor Corporation was also resolved at the meeting of Board of Directors held on May 30, 2003.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers outside Japan, have been translated on the basis set forth in Note 3 to the consolidated financial statements.



Osaka, Japan  
June 27, 2003

#### *Notice to Readers:*

The accompanying consolidated financial statements are not intended to present the consolidated financial positions, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Japan.

The following is a copy of the audit report previously issued by Mizuho Audit Corporation in connection with Tomen's Annual Report for the year ended March 31, 2002. This audit report has not been reissued by Mizuho Audit Corporation. The consolidated balance sheet as of March 31, 2001 and the consolidated statements of income, stockholders' equity and cash flows for the year ended March 31, 2000 have not been included in the accompanying financial statements.

**MIZUHO AUDIT CORPORATION**  
(Certified Public Accountants)

KOBE-NANKOMAE BLDG.  
3-9, 3-CHOME TAMON-DORI,  
CHUO-KU, KOBE, JAPAN

**The Board of Directors**  
**TOMEN CORPORATION**

We have examined the consolidated balance sheets of TOMEN CORPORATION as of March 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2002, stated in Japanese yen. Our examinations were made in accordance with generally accepted auditing standards in Japan 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 identified above present fairly the financial position of TOMEN CORPORATION as of March 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with generally accepted accounting principles in Japan.

There are no interests between the Company and our audit corporation or its assigned employees that require disclosure under the provisions of the Certified Public Accountants Law.

The translations of Japanese yen amounts into United States dollar amounts are arithmetically correct on the basis described in Note 1 to the consolidated financial statements.

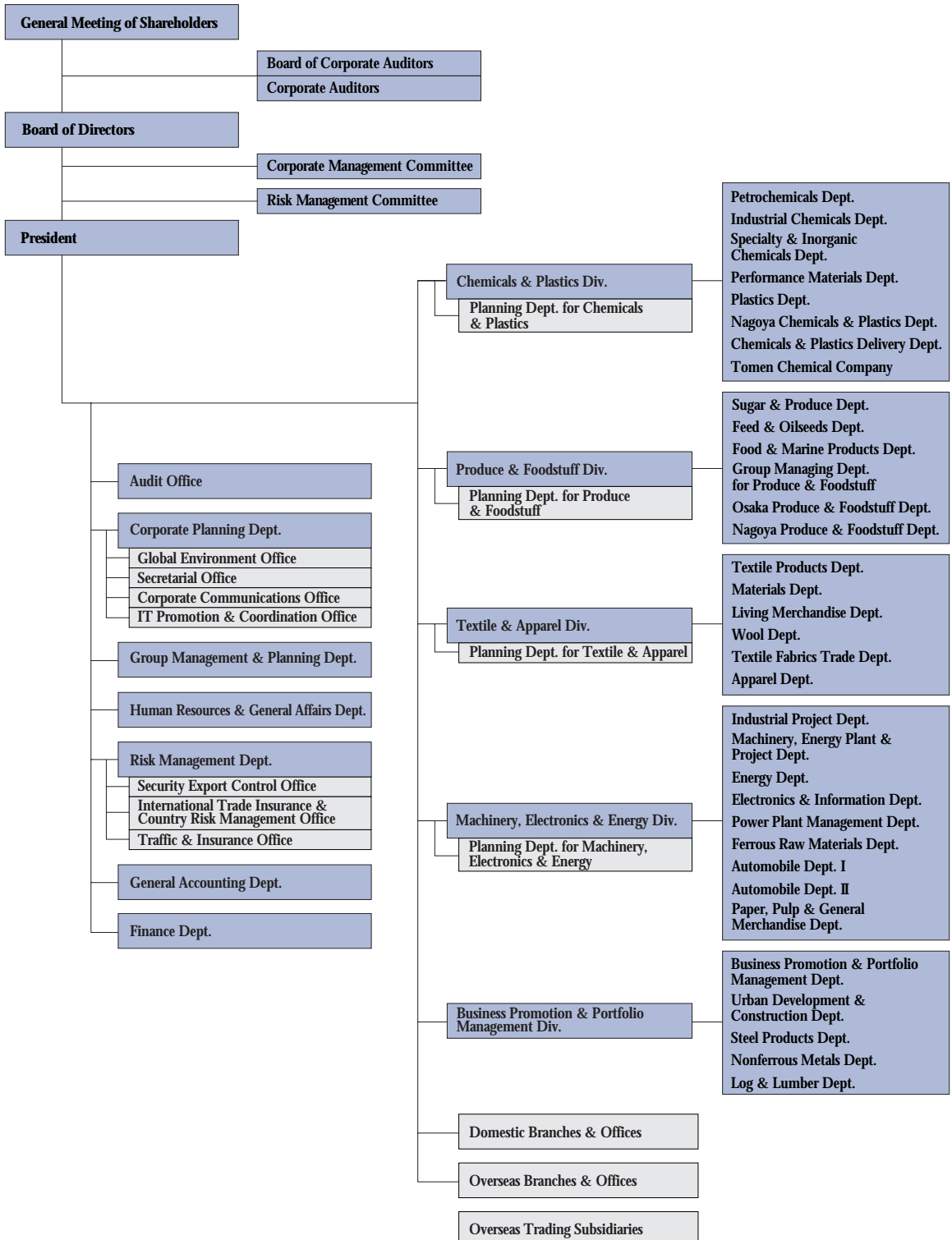
June 27, 2002

*Mizuho Audit Corporation*

# CORPORATE DATA

## ORGANIZATION

(As of August 1, 2003)

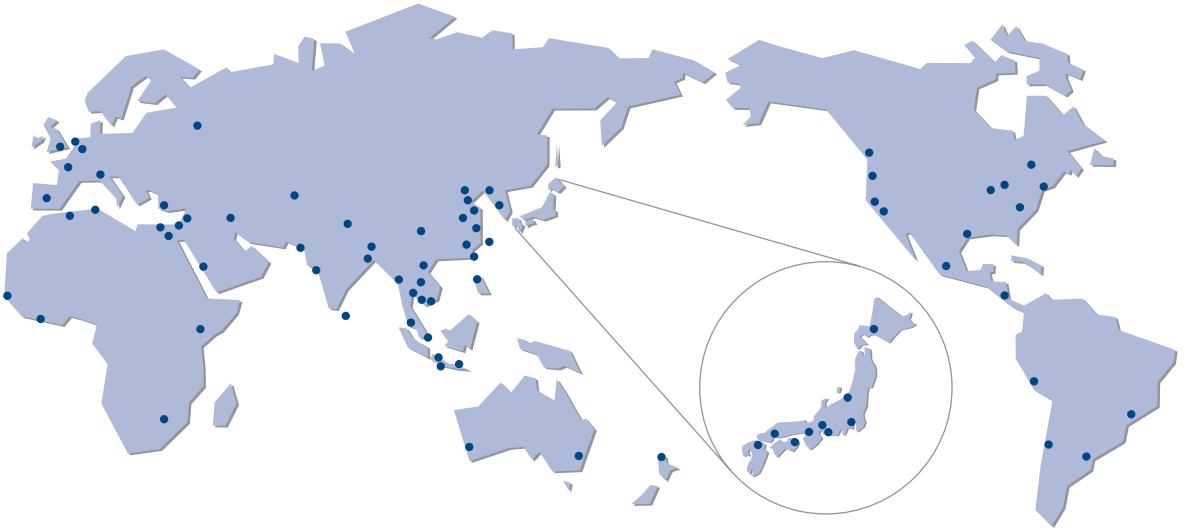


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# NETWORK

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(As of August 2003)



## Japan

Tokyo  
Osaka  
Nagoya  
Sapporo  
Niigata  
Ichinomiya  
Hiroshima  
Shikoku (Takamatsu)  
Kyushu (Fukuoka)

## North America

New York  
Charlotte  
Chicago  
Detroit  
Houston  
Los Angeles  
Portland  
San Francisco  
Toronto  
Vancouver

## Central and South America

Mexico City  
San Jose  
Sao Paulo  
Buenos Aires  
Santiago  
Lima

## Europe

London  
Rotterdam  
Düsseldorf  
Milano  
Paris  
Madrid  
Moscow  
Tashkent

## Africa

Cairo  
Alexandria  
Tunis  
Alger  
Nairobi  
Abidjan  
Dakar  
Johannesburg

## Middle East

Tehran  
Istanbul  
Jeddah  
Damascus  
Tel Aviv

## Asia

Beijing  
Guangzhou  
Shanghai  
Chongqing  
Tianjin  
Dalian  
Nanjing  
Qingdao  
Hong Kong  
Taipei  
Seoul  
Manila  
Jakarta

## Bandung

Surabaya  
Singapore  
Kuala Lumpur  
Bangkok  
Hanoi  
Ho Chi Minh City  
Phnom Penh  
Vientiane  
Yangon  
Dhaka  
Bombay  
New Delhi  
Colombo  
Karachi

## Oceania

Sydney  
Perth  
Auckland

# MAJOR DOMESTIC SUBSIDIARIES AND AFFILIATES

(As of August 2003)

## CHEMICALS & ENERGY

- **Sanyo Chemical Industries, Ltd.**  
Manufacture and sales of chemicals, primarily surface active agents for textile and industrial use
- **Arysta LifeScience Corp.**  
Life science businesses such as agrochemicals, pharmaceuticals, veterinary medicines, and biotechnology businesses
- **Toyo Green Co., Ltd.**  
Sales of chemicals and materials, design management for golf courses and other non-agricultural land
- **Kato Suishodo Pharmaceutical Co., Ltd.**  
Manufacture and sales of OTC-pharmaceuticals
- **Suisho Pharmacy Co., Ltd.**  
Management of drugstores
- **Nihon Tennen Gas Co., Ltd.**  
Production and sales of natural gas, iodine, industrial chemicals and pharmaceuticals
- **Daiichi Sekken Co., Ltd.**  
Manufacture and sales of synthetic detergents and soaps
- **Daiichi Sekken Nishinohon Co., Ltd.**  
Manufacture and sales of synthetic detergents and soaps
- **Daitoh Kasei Co., Ltd.**  
Plastic molding
- **Sankyo Food Industry Co., Ltd.**  
Food processing, manufacture of food additives and flavorings, manufacture of chemicals and synthetic resins
- **Tomen Plastics Corp.**  
Domestic sales, import and export of synthetic resins and synthetic rubber, and related products

## PRODUCE & FOODSTUFFS

- **Tomen Foods Co., Ltd.**  
Import and distribution of foodstuffs, marine products, liquors etc.
- **Tohoku Grain Terminals Co., Ltd.**  
Storage silos for feed grain, harbor transport, customs clearance functions
- **Kanto Grain Terminals Co., Ltd.**  
Storage silos for feed grain, harbor transport, customs clearance functions
- **Toyo Grain Terminals Co., Ltd.**  
Storage silos for feed grain, harbor transport, customs clearance functions
- **Higashi-Nada Tomen Silo Co., Ltd.**  
Storage silos for feed grain, harbor transport, customs clearance functions
- **Chubu Shokuryo Kaisha, Ltd.**  
Sales of rice and special rice grain, wholesale marketing of frozen food and other food products
- **Cradle Foods Co., Ltd.**  
Production and sales of canned products of processed farm produce
- **Banshuu Choumiryou Co., Ltd.**  
Production and sales of amino acid seasoning

## TEXTILES

- **Toyo Cotton (Japan) Co.**  
Sales, import and export of raw cotton
- **Toyo Tateami Kaisha, Ltd.**  
Manufacture and sales of knit fabrics
- **Tomen Fashion Express Corp.**  
Fashion information, planning, marketing and consulting
- **Ogawa Tec Corp.**  
Planning and construction of membrane structures such as dome stadium
- **Tomen Hotline Tokyo Co., Ltd.**  
Design, manufacture and sales of wearing apparel
- **Tomen Hotline (Osaka) Co., Ltd.**  
Design, manufacture and sales of wearing apparel
- **Shinatomo Co., Ltd.**  
Domestic sales, import and export of various textile materials and products
- **Toyama & Co., Ltd.**  
Wholesales, import and export of textiles

## MACHINERY

- **Sunpot Co., Ltd.**  
Manufacture and sales of gas-fueled equipment and electrical appliances
- **Tomen Techno Solutions Inc.**  
Import, export and domestic sales of machine tools, forging machinery, industrial furnaces, plastic molding equipment, industrial-use robots and environmental equipment
- **Tomec Corp.**  
Sales and leasing of construction and industrial machinery
- **Tomen Power Samukawa Co., Ltd.**  
Power producer for wholesale supply to Tokyo Electric Power
- **Eurus Energy Holdings Corp.**  
Operation and management for power generation projects throughout the world
- **Eurus Energy Japan Corp.**  
Operation and management for power generation projects in Japan
- **Tomen Electronics Corp.**  
Marketing and sales of semiconductors, integrated circuits, electronic components and computer-related equipment
- **Tomen Devices Corp.**  
Domestic sales of semiconductor memories
- **Tomen Telecom Corp.**  
Domestic sales, installation, operation and maintenance of information and communication equipment
- **Tokyo Musen Kizai Co., Ltd.**  
Sales of electronic passive components and semiconductors
- **Nihon Tokki Inc.**  
Construction of cable and telecommunication facilities
- **Tomen Cyber-business Solutions, Inc.**  
Broadband-related system integration and sales

## CONSTRUCTION & REAL ESTATE

- **Tomen Real Estate Development Co., Ltd.**  
Real estate services including construction, agency functions, rental of condominiums and single-unit dwellings
- **Tomen Urban Development Co., Ltd.**  
Development, rental and leasing of real estate

## OTHERS

- **Tomen Timber Corp.**  
Import and domestic sales of softwood logs and lumber
- **TM Logistics Corp.**  
Trade services and promotion of logistics business (in-group & external)
- **Hot-Line International Transport Ltd.**  
Non-vessel operating common carrier
- **T.M. Travel Service, Inc.**  
Travel agency
- **Tomen F.P. Center Co., Ltd.**  
Life and property insurance agency, automobile leasing agency, cash loans
- **Tomen Information Systems Corp.**  
Design, operation and management of comprehensive information systems, software development and sales
- **Service Center Co., Ltd.**  
Supply of Japanese foods overseas and personnel operation services
- **Tomen Business Support Ltd.**  
Operation services and consulting for accounting, financing, human resources, legal and credit
- **Toyu Intex Corp.**  
General affairs operation services and sales of stationery and sundries, advertising

# — MAJOR OVERSEAS SUBSIDIARIES, AFFILIATES AND BUSINESS INVESTMENTS —

(As of August 2003)

## NORTH AMERICA

### ■ U.S.A.

- **Toyo Cotton Co.**  
Sales, import and export of raw cotton
- **Casio, Inc.**  
Sales of Casio products
- **Eurus Energy America Corp.**  
Operation and management for power generation projects in North America
- **Arvesta Corp.**  
Manufacture and sales of agricultural chemicals
- **Dewey Chemical Inc.**  
Production and sales of iodine
- **Tomen Electronics America Inc.**  
Marketing and sales of semiconductors, integrated circuits, electronic components and computer-related equipment

## CENTRAL AND SOUTH AMERICA

### ■ COLOMBIA

- **Centragas-Transportadora de Gas de la Region Central de Enron Development & Cia, S.C.A.**  
Transportation of natural gas

### ■ BRAZIL

- **Oleos "MENU" Industria e Comercio Ltda.**  
Production and sales of cottonseed oil products
- **Hokko do Brasil Industria Quimica E Agro Pecuaria Ltda.**  
Sales of agricultural chemicals

## EUROPE

### ■ GERMANY

- **Casio Europe GmbH**  
Sales of Casio products

### ■ FRANCE

- **Arysta LifeScience Europe S.A.**  
Sales of feed additives, veterinary medicines, food additives, pharmaceutical raw materials and agrochemicals

### ■ U.K.

- **Tomen Foods U.K. Ltd.**  
Production and sales of processed Japanese foods (sushi)

### ■ NETHERLANDS

- **Eurus Energy Europe B.V.**  
Operation and management for power generation projects in Europe

## ASIA

### ■ TAIWAN

- **Taiwan Chao Yang Chemical Co., Ltd.**  
Plastics molding
- **Showa Specialty Gas (Taiwan) Co., Ltd.**  
Sales of specialty gas and chemicals for semiconductors
- **Young Sun Chemtrading Co., Ltd.**  
Sales of chemical products

### ■ KOREA

- **Korea Fine Chemical Co., Ltd.**  
Production and sales of isocyanate and amino acids
- **Korea Polyol Co., Ltd.**  
Manufacture and sales of polypropylene glycol

### ■ THAILAND

- **Eastern Chemical Co., Ltd.**  
Manufacture of ethyl alcohol by fermentation of molasses
- **Thai Chemical Terminal Co., Ltd.**  
Tank terminal operations for liquid bulk chemicals

### ■ VIETNAM

- **Soft Chemical Corp.**  
Production of detergent raw materials
- **Vietnam Float Glass Co., Ltd.**  
Manufacture of float glass

### ■ PHILIPPINES

- **Sakamoto Orient Chemicals Corp.**  
Manufacture of refined glycerin
- **Northern Mindanao Power Corp.**  
Diesel power generation projects
- **Southern Philippines Power Corp.**  
Power generation projects
- **Western Mindanao Power Corp.**  
Power generation projects
- **Philippine Prosperity Chemical Inc.**  
Distribution of solvents

### ■ SINGAPORE

- **Growchem Trading (Singapore) Pte. Ltd.**  
Trading
- **Tomen Petroleum (Singapore) Pte. Ltd.**  
Export and offshore trading of crude oil, petroleum products and bunker oil
- **Tomen Construction & Leasing (S) Pte. Ltd.**  
Leasing of construction and building materials
- **Tomen Power (Singapore) Pte. Ltd.**  
Operation and management for power generation projects
- **Tomen (Singapore) Electronics Pte. Ltd.**  
Marketing and sales of semiconductors, integrated circuits, electronic components and computer-related equipment

### ■ MALAYSIA

- **Bintulu Silica Industries Sdn. Bhd.**  
Manufacture of sodium silicate cullets
- **Malaysian Sheet Glass Bhd.**  
Manufacture of sheet glass

### ■ INDONESIA

- **P.T. Kanebo Tomen Sandang Synthetic Mills**  
Spinning, weaving and finishing of T/C, T/R and cotton fabrics
- **P.T. Styrimdo Mono Indonesia**  
Production and sales of styrene monomer
- **P.T. Teijin Indonesia Fiber Corp.**  
Manufacture of polyester fiber
- **P.T. Tomenbo Indonesia**  
Synthetic yarn spinning

### • P.T. Kaltim Pasifik Amoniak

- Production and sales of ammonia
- **P.T. Makassar Power**  
Power generation projects
- **P.T. Daiken Indonesia**  
Manufacture and sales of warm cubic (kotatsu)
- **P.T. KDS Indonesia**  
Manufacture of crystal resonators

### ■ PAKISTAN

- **Kohinoor Energy Ltd.**  
Power generation projects
- **Gul Ahmed Energy Ltd.**  
Power generation projects

### ■ CHINA

- **Shanghai Ever Green Textile Co., Ltd.**  
Sizing, weaving, dyeing and finishing of acetate lining fabrics and sales
- **Tianjin KDS Corp.**  
Manufacture of crystal resonators
- **Dalian Advanced Chemical Co., Ltd.**  
Manufacture of agricultural chemicals
- **Langfang Itokin Food Co., Ltd.**  
Rice milling and production of rice flour mix
- **Wuxi Advanced Chemical Co., Ltd.**  
Manufacture of dyestuffs
- **Zhaoyuan Advanced Chemical Co., Ltd.**  
Manufacture of brighteners
- **Shanghai Hong Ri International Electronics Co., Ltd.**  
Marketing and sales of integrated circuits, semiconductors and electronic components

### ■ HONG KONG SAR

- **K&T Foods Co., Ltd.**  
Manufacture and sales of frozen foods and operation of take-out lunch outlets
- **Tomen Hot-Line (Hong Kong) Ltd.**  
Export of apparel and import and export of textiles
- **Yuen Long Textile Co., Ltd.**  
Dyeing and sales of acetate, polyester and rayon lining fabrics
- **Tomen Electronics (Hong Kong) Ltd.**  
Marketing and sales of semiconductors, integrated circuits, electronic components and computer-related equipment

## OCEANIA

### ■ AUSTRALIA

- **Dychem Industries Pty. Ltd.**  
Import and sales of dyestuffs and auxiliaries for textile industry

### ■ NEW ZEALAND

- **Polymers International Ltd.**  
Import and sales of polyolefin and other plastics
- **Bloomers Growers & Exporters Ltd.**  
Production of bulbs for cut flowers



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## HISTORY

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- 1920** Toyo Menka Kaisha, Ltd. established
- 1950** Listed on the Osaka and Tokyo Stock Exchanges
- 1951** Toyomenka Inc. (now Tomen America Inc.) established
- 1955** Merger with Kanegafuchi Trading Co., Ltd.; textile business expanded
- 1961** Merger with Taiyo Bussan Kaisha Ltd.; foodstuffs business expanded
- 1963** Merger with Nankai Kogyo Co., Ltd.; metals business expanded
- 1970** Japanese name changed to Kabushiki Kaisha Tomen; dual head office system (Tokyo, Osaka) adopted
- 1980** Tokyo headquarters relocated to Kokusai Shin-Akasaka Building in Minato-ku, Tokyo
- 1989** Tomen Europe Ltd. established
- 1990** English name changed to Tomen Corporation
- 1998** “Restructuring Plan” announced
- 2000** “Tomen Renovation Plan” announced
- 2000** Tokyo headquarters relocated to Tomen Marunouchi Building in Chiyoda-ku, Tokyo
- 2000** Formulation of a new corporate philosophy, “Value Trader”
- 2001** Osaka Headquarters relocated to Sumitomo Nakanoshima Building in Kita-ku, Osaka
- 2002** “Tomen Group Medium-term Management Plan” announced

# BOARD OF DIRECTORS AND CORPORATE AUDITORS

(As of June 27, 2003)



**Shigeru Shimazaki**



**Mahito Kageyama**



**Michio Ishidate**



**Kazuhiko Otsuka**



**Shunya Fukutomi**



**Yoshimasa Kondo**

## Chairman

**\* Shigeru Shimazaki**

## President

**\* Mahito Kageyama**

## Senior Managing Directors

**\* Michio Ishidate**

**\* Kazuhiko Otsuka**

## Managing Directors

**\* Shunya Fukutomi**

**\* Yoshimasa Kondo**

## Corporate Auditors

**Masahiko Inagaki**

**Shinichiro Mizuno**

**Takanao Mitsui**

**Shozo Chikamatsu**

**\*Representative Directors**

# STOCKHOLDER INFORMATION

(As of March 31, 2003)

<b>Tokyo Head Office:</b>	8-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-8320, Japan Tel: 81-3-5288-2111 Fax: 81-3-5288-9100
<b>Osaka Head Office:</b>	2-18, Nakanoshima 3-chome, Kita-ku, Osaka, Japan Central P.O. Box 61, Osaka 530-8622, Japan Tel: 81-6-6447-9333 Fax: 81-6-6447-9799
<b>Nagoya Office:</b>	18-25, Marunouchi 2-chome, Naka-ku, Nagoya, Japan P.O. Box Nagoya-Naka 250, Nagoya 460-8710, Japan Tel: 81-52-232-5111 Fax: 81-52-232-5351
<b>Offices:</b>	Domestic 10 Overseas 76
<b>Consolidated Subsidiaries:</b>	Domestic 66 Overseas 146 (Total 212)
<b>Affiliated Companies (Equity Method):</b>	Domestic 22 Overseas 69 (Total 91)
<b>Number of Employees:</b>	1,394 (including overseas stuff of 274)
<b>Outstanding Shares:</b>	Ordinary stock: 637,649,645 shares Preferred stock: 144,000,000 shares
<b>Paid-in Capital:</b>	¥68,185,282,250
<b>Major Stockholders:</b>	Toyota Tsusho Corporation UFJ Bank Ltd. Aioi Insurance Co., Ltd. Sumitomo Mitsui Banking Corporation Resona Bank, Ltd. The Bank of Tokyo-Mitsubishi, Ltd. The Chuo Mitsui Trust and Banking Co., Ltd. Mitsui Sumitomo Insurance Co., Ltd. The Norinchukin Bank Mizuho Corporate Bank, Ltd.
<b>Stock Listings:</b>	Tokyo, Osaka, Nagoya Stock Exchanges
<b>Transfer Agent and Register:</b>	The Chuo Mitsui Trust and Banking Co., Ltd.

Additional copies of this annual report and other information may be obtained by contacting:

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8-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-8320, Japan  
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E-mail: ir@tomen.com  
Homepage: <http://www.tomen.co.jp>

