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Driving Corporate Value

Tomen has put together a strong suit of five cards, each representing a priority initiative. The success of these initiatives will drive steady growth in corporate value.

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Tomen Corporation is a general trading company headquartered in Japan active in a broad range of business domains worldwide. The Company’s mission is to be a “Value Trader,”—a company that uses optimal means to deliver the true value required by customers and society, thus creating new value for the next generation of society.

Tomen has a global base of operations and network in all of its business domains, namely Chemicals, Produce & Foodstuffs, Textiles, Electronics, and Machinery & Energy. By further deepening its alliance with the Toyota Group, Tomen intends to build a stronger management base so as to become a truly competitive force that can rise above competition on a global scale.

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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.

FINANCIAL HIGHLIGHTS

For the years ended March 31,	Millions of Yen			Thousands of U.S. Dollars (Note)
	2002	2003	2004	2004
Total Trading Transactions	¥2,384,848	¥2,082,898	¥1,604,084	\$15,177,254
Gross Trading Profit	117,593	113,122	96,027	908,572
Operating Income	25,198	25,661	28,179	266,619
Net Income (Loss)	4,711	(66,970)	3,754	35,519
As of March 31,				
Total Assets	¥1,448,261	¥971,713	¥769,075	\$7,276,705
Stockholders' Equity	4,663	13,862	28,982	274,217
Per share amounts		Yen		U.S. Cents
Net Income (Loss)	¥7.39	¥(105.58)	¥5.16	¢4.88

Note: U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥105.69=\$1. (See Note 3 of Notes to Consolidated Financial Statements.)

OPERATIONAL HIGHLIGHTS

OPERATING INCOME ROSE ¥2.5 BILLION.

Growth in operating income was the result of profitability improvements achieved by restructuring businesses and reducing SG&A expenses through rationalization measures.

TOTAL ASSETS WERE REDUCED ¥202.6 BILLION.

Tomen is nearing its target of lowering total assets to ¥735.0 billion, set forth in the "Tomen Group Medium-term Management Plan," faster than planned.

STOCKHOLDERS' EQUITY ROSE ¥15.1 BILLION.

This was mainly the result of ¥10.0 billion in funds raised through private placements of shares to Toyota Tsusho and Toyota Motor, accumulation in net income and improvement in net unrealized losses on investments in securities due to a rebound in stock prices.

NET INCOME OF ¥3.8 BILLION WAS ACHIEVED.

This was mainly a reflection of efforts to improve profitability and build a stronger financial position in accordance with the "Tomen Group Medium-term Management Plan."

LETTER TO STAKEHOLDERS

Where
we stand,
where
we're going

FISCAL 2004 IN REVIEW

During fiscal 2004, the year ended March 31, 2004, the global economy remained on a recovery track, supported by a U.S. economic rebound and China's expanding economy. Japan's economy also gradually showed signs of recovery, including growth in export industries on the back of robust demand from China.

For fiscal 2004, Tomen's total trading transactions were down ¥478.8 billion year-on-year, at ¥1,604.1 billion. This decrease was mainly the result of the liquidation and withdrawal from unprofitable and inefficient businesses in the Textiles and Machinery & Energy segments. The Electronics segment continued to perform well, posting a sharp

increase in trading transactions. The Chemicals segment also reported growth in trading transactions, after excluding the effect of changes in the number of consolidated subsidiaries. Efforts to reduce selling, general and administrative (SG&A) expenses through rationalization measures were successful, helping to lift operating income by ¥2.5 billion to ¥28.2 billion.

BUILDING A STRONGER TOMEN

Trading companies are facing an increasingly difficult business environment, due to geopolitical conditions and other factors. To face these challenges, Tomen began implementing the "Tomen Group Medium-term Management Plan" in March 2003. The plan aims to make Tomen a truly competitive force. In fiscal 2004, Tomen focused on building a stronger management base and accelerating improvements such as streamlining assets and lowering interest-bearing debt. These measures were successful in raising Tomen's profit margins and strengthening Tomen's balance sheet. There were significant improvements in Tomen's operating base, progress that is borne out by numerical measures.

RAISING CORPORATE VALUE BY IMPROVING PROFITABILITY

In the first year of the "Tomen Group Medium-term Management Plan", Tomen has accomplished many tasks faster than expected. This achievement shows that Tomen's strengths, including its teamwork and networking abilities, have been aligned in a positive direction and are successfully capturing synergies.



LEFT:
SHIGERU SHIMAZAKI
Chairman

RIGHT:
MAHITO KAGEYAMA
President

Tomen plans to build on this momentum for the second year of its Medium-term Management Plan. The priority in fiscal 2005 is to shift to strengthening profitability. Although total trading transactions are projected to fall slightly to ¥1,550.0 billion from the fiscal 2004 level, Tomen forecasts a growth in total trading transactions after excluding the effect of changes in the number of consolidated subsidiaries. Net income is projected to grow ¥6.2 billion to ¥10.0 billion on steady progress of the “Tomen Group Medium-term Management Plan”.

Translating a stronger partnership with the Toyota Group into higher profitability is another key priority for the coming year. As of March 31, 2004, Toyota Tsusho held a voting interest of 20.2% in Tomen, making Tomen an equity-method affiliate of Toyota Tsusho. In addition to this equity alliance, Tomen is reinforcing its operating base through an array of initiatives, including personnel exchanges and the BRT (Business Revolution Tomen) Project, a rationalization drive guided by the Toyota Group. At the same time, Tomen is collaborating with Toyota Tsusho, particularly in fields such as Produce & Foodstuffs and Energy, through mutual access to supply sources and marketing channels.

Looking ahead, we will further strengthen our alliance with the Toyota Group, while working to execute well and stabilize earnings. In parallel, we will constantly create new value by offering distinctive functions with the aim to meet the expectations of stockholders, customers, employees and society at a large. Your support and understanding are vital to this endeavor.

August 2004



SHIGERU SHIMAZAKI

Chairman

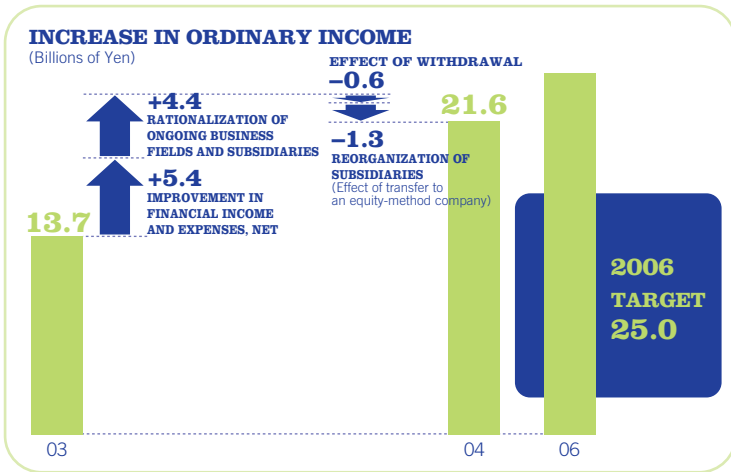


MAHITO KAGEYAMA

President

Driving Corporate Value

Tomen has put together a strong suit of five cards, which are shown in the following feature. Each card represents a priority initiative that will help drive steady increases in Tomen's corporate value.



Nowhere are these improvements more clearly seen than in growth in ordinary income for the entire company. In fiscal 2004, ordinary income was ¥21.6 billion, up from ¥13.7 billion in fiscal 2003. Tomen is firmly on track to meeting its target of ¥25.0 billion in ordinary income in fiscal 2006.

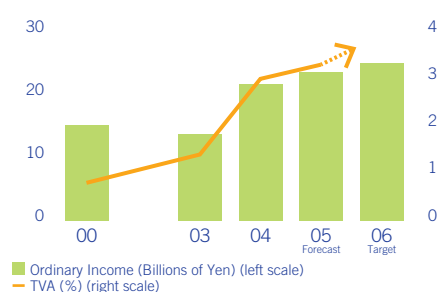
In fiscal 2004, in parallel with realigning business measures aimed at selectively focusing resources on strategic businesses, the Company exited unprofitable businesses and liquidated assets. Both of these activities were key priorities in the “Tomen Group Medium-term Management Plan.” In ongoing businesses, Tomen established business administration and risk management systems suited to the requirements of each business format, and thereby improved operating efficiency. Particularly noteworthy is progress in the Produce & Foodstuffs, Electronics, and Textiles segments, all of which are reporting steady growth in operating income. In fiscal 2004, the Machinery & Energy segment moved back into the black on an operating income basis, reversing its operating loss in fiscal 2003.

Improving financial efficiency is another important goal.

Tomen measures financial efficiency using a unique benchmark called “Tomen Value Achievement” (TVA). TVA, defined as ordinary income divided by total funds used, quantifies the expected rate of return on total funds used. TVA shows how well Tomen can generate the greatest possible income from the smallest amount of funds. In fiscal 2004, TVA was 3.0%, putting Tomen’s target of 3.3% for fiscal 2006 well within reach. The Company aims to achieve this target much earlier than initially planned.

Business Realignment and Strong Execution to Improve Profitability

ORDINARY INCOME AND TVA



TOMEN VALUE ACHIEVEMENT (TVA)

$$TVA = \frac{\text{Ordinary Income} \times 60\%^{*1}}{\text{Total Funds Used}^{*2}}$$

*1 Less effective Japanese income tax of 40%
 *2 Operating capital + capitalization
 (= net interest-bearing debt + stockholders' equity)

NUMBER OF
EMPLOYEES*1

9,186
↓
5,871

*1 Including overseas staff

REDUCTIONS
IN GENERAL &
ADMINISTRATIVE
EXPENSES**2

¥8.8
BILLION

**2 At Tomen and its primary
consolidated subsidiaries

Aiming to revise its earnings structure to ensure maximum stability, Tomen is aggressively improving cost competitiveness. The "Tomen Group Medium-term Management Plan" includes personnel cuts of roughly 4,000 employees on a consolidated basis, reductions in general & administrative expenses of roughly ¥12.0 billion compared with the fiscal year ended March 31, 2002, realignment of overseas operating bases, and progress with the BRT Project. Rationalization measures at Tomen and its primary affiliated companies, and fewer consolidated subsidiaries through asset liquidations have reduced Tomen's workforce by 3,315 employees and resulted in a reduction in general & administrative expenses by ¥8.8 billion. These accomplishments put Tomen on course to achieve the goals of its Medium-term Management Plan ahead of schedule. In fiscal 2004, the BRT Project was highlighted by the integration of logistics subsidiaries and the establishment of the Logistics Coordination Office, a move designed at putting in place a structure to reduce logistics expenses throughout the group.

Strengthening Cost
Competitiveness

By March 31, 2006, Tomen aims to lower total assets by ¥710.0 billion and reduce interest-bearing debt by roughly ¥650.0 billion compared with levels at March 31, 2002. Total assets and interest-bearing debt will be reduced to targeted levels of ¥735.0 billion and ¥463.0 billion, respectively, by March 31, 2006.

In fiscal 2004, Tomen accelerated the sale of listed marketable securities, reduced operating assets and increased asset liquidation initiatives in efforts to raise asset efficiency at a faster pace than planned. Consequently, as of March 31, 2004, total assets were ¥769.1 billion, down ¥679.2 billion from March 31, 2002. Interest-bearing debt was ¥484.2 billion, down ¥627.8 billion over the same period. These achievements mean Tomen is now positioned to achieve the targets of its Medium-term Management Plan ahead of schedule.

Sharp Reductions in Assets and Liabilities

TOTAL ASSETS

(Billions of Yen)

03	971.7
04	769.1
05 Forecast	745.0
06 Target	735.0

INTEREST-BEARING DEBT

(Billions of Yen)

03	659.9
04	484.2
05 Forecast	450.0
06 Target	463.0

STOCKHOLDERS' EQUITY

(Billions of Yen)

03	13.9
04	29.0
05 Forecast	39.0
06 Target	45.0

Capital Increase and Stronger Partnership With the Toyota Group

In September 2003, Tomen raised a total of ¥10.0 billion through private placements of shares worth ¥5.0 billion each to Toyota Tsusho and Toyota Motor. This move raised the equity interest of seven Toyota Group companies in Tomen to 35.48%. Tomen intends to take this opportunity to strengthen its partnership with the Toyota Group, with the aim of further bolstering its operating base. Tomen will drive improvements in its logistics framework, combine its marketing capabilities with the operational excellence of Toyota Tsusho, and share infrastructure at overseas offices. Fostering an understanding of each other's corporate cultures and improving them through personnel exchanges is another key activity. Tomen intends to maximize the benefits of this partnership to reap optimal benefits for all parties now and in the future.

Go on the Offensive to Strengthen Profitability

Tomen is striving to achieve the numerical targets outlined below for operating income and ordinary income in fiscal 2006. The Company will work earnestly on these initiatives, based on an unwavering commitment to achieving its targets and establishing a strong management base. The main theme for fiscal 2005 is to shift gears to strengthen profitability. As such, Tomen is formulating additional measures for each business domain, to pave the way for the future by giving full play to its strengths.

These actions will ultimately lead to integration with Toyota Tsusho in the near future. Looking ahead to this key milestone, we will sketch a new vision for ourselves as a trading company that combines the strengths of the two companies so as to create new value for all stakeholders.

TOMEN

SYNERGIES

Established Toyotsu
Tomen Human
Resources and
Tomen Toyota Tsusho
Petroleum (Singapore).

TOYOTA TSUSHO

THE ROAD
AHEAD

MEDIUM-TERM MANAGEMENT PLAN

(Billions of Yen)

	2003 Results	2004 Results	2005 Forecast	2006 TARGET
Operating Income	25.7	28.2	31.0	33.3
Ordinary Income	13.7	21.6	23.5	25.0

CHEMICALS

PRODUCE
&
FOODSTUFFS

Tomen Businesses in Profile

Introducing Tomen's
Business Fields

TEXTILES

ELECTRONICS

MACHINERY
&
ENERGY

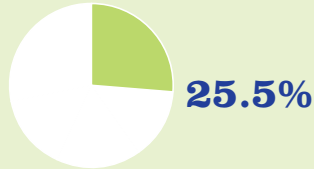
AT A GLANCE

OPERATING SEGMENT

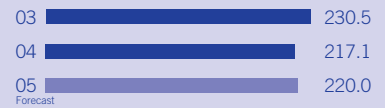
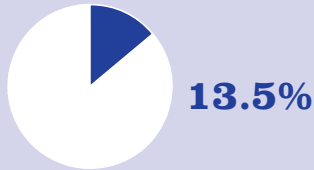
% OF TOTAL SALES
FY2004 ENDED MARCH 2004

TRADING TRANSACTIONS
(Billions of Yen)

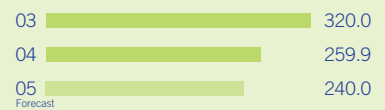
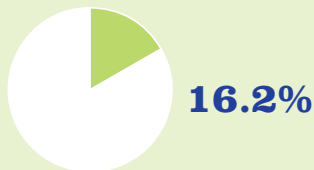
CHEMICALS



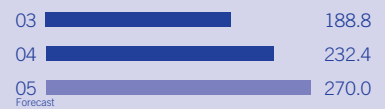
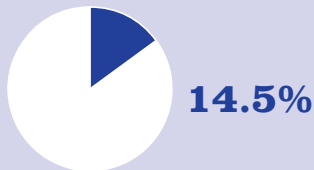
PRODUCE & FOODSTUFFS



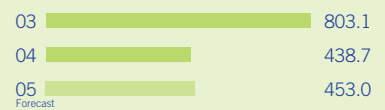
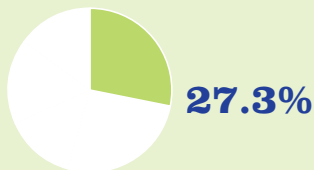
TEXTILES



ELECTRONICS

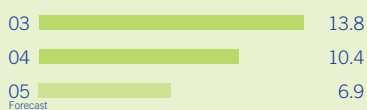


MACHINERY & ENERGY



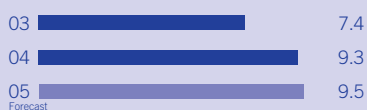
OPERATING INCOME (LOSS)

(Billions of Yen)



MAJOR PRODUCTS AND SERVICES

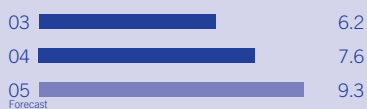
Petrochemicals, solvents, surfactants, raw materials for detergent, raw materials for urethane, agrochemicals (both chemical pesticides, insecticides, herbicides and those using natural enemies such as bumblebees), pharmaceuticals, veterinary medicines, dyestuffs, catalysts, electronic materials, inorganic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



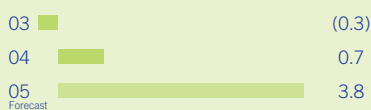
Livestock feeds, oils and fats, grains, beans, starch, flour, rice products, meat products, sugar, coffee beans, cocoa beans, peanuts, fruit and vegetables, general-processed foods, processed farm and marine produce, health foods, dairy foods, bottled and canned goods, food raw materials, general marine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



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



Semiconductors and electronic components, electronic equipment



Telecommunication and broadcast facilities, media-related software, power generation, power generation plants, steel plants, cement plants, chemical plants, fertilizer plants, petroleum- and gas-related facilities, pipeline business, port and airport facilities, packaging machines, logistics-related equipment, ships, automobiles and automotive parts, tires, automobile production plants, construction machinery, agricultural machinery, environment-related facilities, crude oil, petroleum products, liquefied gas

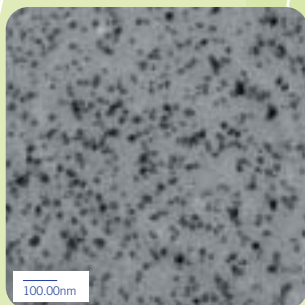
CHEMICALS

In the Chemicals segment, Tomen covers a wide range of products, including organic chemicals such as petrochemical products, solvents and raw materials for detergent and urethane, as well as inorganic chemicals, synthetic resins, plastics and other high-end specialty chemicals. Tomen has gained a strong sales position in a variety of products that leverage its production and logistics bases in China and other Asian countries. The Company is thus a leader in the trading of petrochemical products and industrial raw materials. Specifically, in solvents, the Company has 24% of the Southeast Asian market, the No. 1 share in this industry. It also handles promising high-end specialty materials that already have high global market shares.

PERFORMANCE

In China, a major market for Tomen, transaction volume was weak in the first half of the fiscal year ended March 31, 2004 because of outbreaks of severe acute respiratory syndrome (SARS). However, demand picked up

from midway through the fiscal year, and prices for petrochemical products rose on strong demand in Southeast Asia and a sharp rise in crude oil prices. As a result, Tomen achieved firm sales, centered on petrochemical products, for the full year. Full-scale



Tomen imports unique materials, including epoxy resins dispersed with nano-sized silica, from three companies in Germany and the U.S.



Arysta LifeScience, Meiji Seika and Chinese antibiotic maker Shandong Lukang Pharmaceutical formed a drug manufacturing company in Shandong Province, in February 2004.

importing of polyester nylon chips, for which the Company started marketing activities in 2002, began during the fiscal year, contributing significantly to growth in trading transactions.

Tomen sold a portion of its holdings in Arysta LifeScience and accepted a capital increase by Olympus ALC Holdings to fund the acquisition of new agents to support more aggressive growth. Consequently, Tomen's equity stake in Arysta LifeScience dropped to 49.98%, making it an equity-method affiliate. This led to an 8.4% reduction in trading transactions in the Chemicals segment to ¥408.2 billion (US\$3,863 million), and a decrease in operating income by 24.9% to ¥10.4 billion (US\$98 million), compared with the results of the previous year.

FUTURE DIRECTIONS

In the growing markets of China and Southeast Asia, Tomen is further strengthening its production and logistics functions, investing in the manufacturing sector, setting up distribution and sales companies, and securing tank installations and other logistics infrastructure to expand its sales capabilities. The Company is also working to expand sales of competitive Iranian petrochemical products in China and Southeast Asia.

Since September 2003, construction to expand facilities at Thai ethanol production subsidiary Eastern Chemical has been under way. By completion in 2005, annual production capacity will be raised from 25,000kl to 40,000kl.

In its cooperative relationship with the Toyota Group, transactions that had been carried out at Toyota Tsusho (Milan) in Italy are now handled at Tomen Italia. The companies are also searching for ways to maximize synergies from the combination of Toyota Tsusho's logistics functions and Tomen's sales capabilities, focusing on China.



Utilizing close relationships built over many years of trading Iranian crude oil, Tomen started handling competitive Iranian petrochemical products to diversify its raw materials procurement sources.



In September 2003, Tomen started construction aimed at upgrading capacity at Thai ethanol production subsidiary Eastern Chemical, with completion scheduled for early 2005.



Tomen has constructed a new business model that relies on the import of low-priced petrochemical-based chips for synthetic fibers and the use of excess facilities at Japanese textile makers.

PRODUCE & FOODSTUFFS

In the Produce & Foodstuffs segment, Tomen handles livestock feeds, oils and fats, grains, raw sugar, and products processed from these materials. Tomen operates a grain-processing complex with four grain silos in Japan for imported feed grains. These facilities have the top storage capacity in Japan with a combined capacity of 482,000 tons, accounting for approximately 10% of the nation's overall imports.

Tomen also handles a wide variety of food products ranging from farm and marine produce to liquors, Chinese food ingredients, general foodstuffs, and sugars. Tomen uses its production and processing centers located throughout the world to operate high-value-added businesses in a broad range of areas, from upstream to downstream fields.

PERFORMANCE

In the core feed grain business, global shipments slowed down because of a sharp rise in ocean freight and other destabilizing factors. However, Tomen fully utilized its competitive advantages in the form of world-class storage silos

and logistics bases to again achieve high profits. Meanwhile, the foodstuffs business was hurt by downward pressure on prices on the retailing front under deflationary conditions in Japan and the impact of the strong yen in some areas. As a result, trading transactions



Using its four grain-processing complexes in Japan, Tomen provides stable supplies of highly safe and economical grain feeds.



With 30 years experience importing and selling bottled wine, Tomen Foods handles fine quality wines centered on French wines from estates in the Bourgogne and Champagne regions.

declined 5.8% from the year before to ¥217.1 billion (US\$2,054 million). Even so, efficiencies gained through organizational and business realignment supported a 25.9% rise in operating income to ¥9.3 billion (US\$88 million).

Outbreaks of bovine spongiform encephalopathy (BSE) and avian influenza had a negligible impact on Tomen's Produce & Foodstuffs business, due in part to the Company's upgraded food safety management system.

FUTURE DIRECTIONS

Consumer needs are becoming more sophisticated and diverse, as well as more oriented toward food safety, security, affordability, and quality. Perceiving new business opportunities, Tomen is taking actions to upgrade its

responsiveness and ability to craft proposals to meet these needs. In China and other regions of Asia, Tomen is developing value-added prepared food products, including Chinese steamed buns, together with joint-venture and alliance partners. Going forward, Tomen will concentrate on overseas procurement of processed foods and raw materials that address consumer needs in the areas of price and quality ahead of the competition. Tomen is also committed to further strengthening its product planning and proposal capabilities.

Also, Tomen will continue to perform its function of matching supply and demand through large-volume transportation of grains, storage and pre-sorted distribution, involving mainly

imports of feed grains. In conjunction with these actions, the Company aims to use its overseas network to supply information regarding agricultural regions to domestic customers and supply differentiated ingredients by making product development proposals, while leveraging its food processing and production bases both in Japan and overseas to enhance its ability to provide high-value-added trading solutions. Tomen is confident that these efforts will help to further solidify its leadership positions in Japanese markets.

Tomen's cooperation with the Toyota Group continues to gradually bear fruit. Toyota Tsusho and Tomen are accessing one another's suppliers and sales routes, and collaboration in various other areas is under way.



In China, Tomen used its rigorous safety and quality management systems to develop frozen cooked foods, and constructed a network that spans manufacturing to sales.



Tomen has worked with a major Japanese flour miller and Shiwo Trading to export and sell Japanese flour to Hong Kong for 50 years. Tomen has also contributed to the enhancement of local bread-making and noodle-making technologies.



Grand Place uses raw materials and technologies imported from Belgium to produce and sell high-quality chocolates, which appear in prominent department stores around Japan each year for St. Valentine's Day.

TEXTILES

The textile industry has been a key area of Tomen's business since its establishment. Utilizing its worldwide network, Tomen is promoting multi-polar network sales in Japan, the U.S. and Europe. This network enables Tomen to link the excellent raw-material processing technologies developed in Japan with apparel production capabilities in Asia.

Tomen's strengths are its own distinctive lineup of raw materials and textiles, and its ability to offer comprehensive plans and proposals that satisfy the demands of its customers, including SPAs (Speciality store retailer of Private label Apparel) and retailers. These proposals encompass all aspects of the value chain, from manufacturing to retailing, using Tomen's overseas network, which centers on China.

PERFORMANCE

The textile industry again faced tough conditions, such as a spike in raw materials prices, especially for raw cotton, weak personal consumption, and a mass-market trend toward low-priced

items. Under these conditions, customers gave Tomen high marks for its unique development of materials and proposals to expand applications in its major business areas of functional and composite materials. However, because of



Having developed a new technology, Ogawatec received an order for membrane materials from the Second Bangkok International Airport for the roofs of its concourse buildings.



Tomen has relocated facilities for making carpets from recycled PET bottles from Japan to Tianjin Negoro Ecology, a joint venture between Tomen and Negoro Sangyo.

adverse mass-market trends and the withdrawal from unprofitable and inefficient businesses, trading transactions fell 18.8% to ¥259.9 billion (US\$2,459 million). Despite these factors, operating income rose 9.1% from the previous year to ¥4.7 billion (US\$44 million), benefiting from reductions and rationalization of expenses, and inventory cuts.

As part of a drive to move into new fields, Tomen focused on the development of proprietary value-added materials, including polylactide acid materials and corn-based materials, as well as conductive materials. In the fiscal year ending March 2005, Tomen aims to reverse the decline in trading transactions.

FUTURE DIRECTIONS

Quotas restricting China's textile exports to the U.S. will be eliminated in stages starting in 2005. In light of this development, Tomen aims to strengthen sales capabilities for Chinese products, including apparel, as well as bedding and interior items, to Japan, Europe, and the U.S. market.

To capitalize on China's potential as a market, Tomen is building a local sales network in the country, while reinforcing local apparel production capacity. More specifically, Tomen plans to sell Japanese textiles in China and also sell American and Brazilian raw cotton to Chinese spinning companies.

Tomen is now setting up the Tokyo showroom, its second following the

Shanghai showroom, where Tomen will present its best proposals and concrete plans to customers.

Moreover, Tomen is proactively strengthening its business through its relationship with Toyota Tsusho by finding areas where their functions are mutually complementary. For example, Toyota Tsusho entrusted the management of its Toroy brand license to Tomen Fashion Express, and Tomen is considering supplying textile machinery through Toyota Tsusho to an integrated manufacturing plant, targeting the field of men's dress shirts, envisioned as a joint venture in China. In this manner, Tomen is making progress in deepening cooperation on the operational frontline.



Apparel made of Gelanots, waterproof and breathable functional fabrics, is sold in numerous countries.



Toyota Tsusho entrusted the management of its Toroy brand license to Tomen Fashion Express.



Launched in 2002 by Tomen, Tokyo Bay Fashion is a fabrics brand that captures homegrown trends from fashion centers in Tokyo, expressing fashion preferences unique to Japan.

ELECTRONICS

Centering on Tomen Electronics, Tomen Devices and Tokyo Musen Kizai, the Tomen Group handles semiconductors, electronic components and equipment manufactured in Europe, the U.S., and Korea for sale mainly in the Japanese market. It also handles semiconductors and electronic components manufactured by Japanese makers. The Tomen Group's semiconductor trading business has established a top position in the domestic market by handling a broad array of overseas products, participating in design-in activities at the design stage, and by offering a full range of technical support.

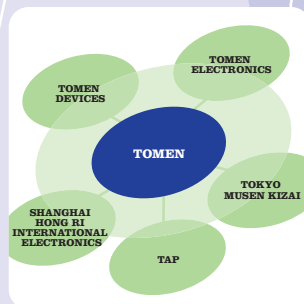
Also, in China, Shanghai Hong Ri International Electronics is achieving rapid growth by developing businesses mainly targeting Japanese electric home appliance makers moving into China.

PERFORMANCE

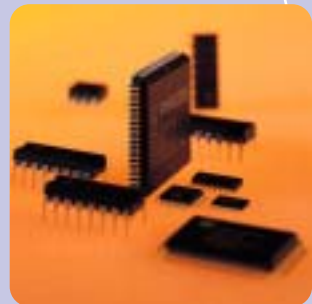
Centered on the four companies mentioned above, the Electronics segment secured high profits. Trading transactions rose 23.1% from the previous fiscal year to ¥232.4 billion

(US\$2,199 million), while operating income increased 22.5% to ¥7.6 billion (US\$72 million).

To respond to the fast-growing electronics market in China, Tomen Electronics, Tokyo Musen Kizai and



Tomen's Electronics segment spans five trading companies specializing in semiconductors and electronic components. This segment is highlighted by the semiconductor import business, which has established a leading position in Japan.



TAP was established in October 2003. Its main business is sales of semiconductors and electronic components made in China and other Asian countries to Japanese customers. TAP has already started full-scale sales activities.

Tomen formed TAP, a joint venture company that specializes in design-in activities and sales of semiconductors and electronic components produced in China to Japanese companies. Tomen Devices, which sells Samsung Electronics semiconductors and LCD panels, was listed on the Second Section of the Tokyo Stock Exchange in March 2004. Tomen Devices plans to use this occasion to further expand and upgrade its businesses.

FUTURE DIRECTIONS

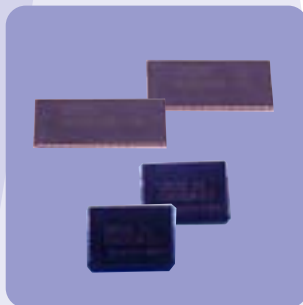
Tomen plans to expand its sales markets and production bases in Asian markets promising growth, particularly China, mainly through Shanghai Hong Ri International Electronics and TAP.

Tomen also plans to enhance its network of bases in Southeast Asia with the aim of expanding overseas-oriented business mainly targeting Asian markets as a global distributor.

Tomen is focusing on communication-related sectors, which are expected to figure prominently in the creation of the ubiquitous networking society. Other key areas include the fast-growing market for digital home appliances and automobiles, which are being fitted with a growing range of electronics. Tomen's strategy is to build up businesses that have competitive advantages by offering total solutions in these fields.



Having built a quality management system and obtained ISO 9001 certification, Tomen Electronics is further improving the quality of its operations so as to better satisfy its customers and suppliers.



Tomen Devices sells world-class Samsung Electronics semiconductors and LCD panels, with aspirations to further expand its businesses on a global scale backed by its outstanding information gathering skills and technological expertise.



With an impressive track record and history as a leading sales agent for Murata Manufacturing, one of the world's top manufacturers of functional ceramics, Tokyo Musen Kizai sells a broad range of products that have earned the trust of the markets.

MACHINERY & ENERGY

Tomen's Machinery & Energy segment spans a wide range of fields, including plant projects, construction and industrial machinery, and transportation equipment, including automobiles. It is also involved with power supply and imports crude oil.

In the plant project area, Tomen has constructed plants for various industries, including energy- and telecommunications-related industries. The Company also uses its expertise as an organizer to establish consortiums, and has won bids for a number of international tendering contracts in the Middle East and Asia.

In the power supply business, subsidiary Eurus Energy Holdings promotes clean energy in the form of wind power generation in Japan, the U.S., and Europe.

PERFORMANCE

In the transportation equipment business, Tomen achieved brisk exports of automobiles, centered on Toyota and Subaru models. Subaru exports to Australia were particularly strong, with shipment volume recording the highest

level in the Company's history. In the power supply business, independent power producer (IPP) projects in Pakistan, the Philippines, and Indonesia produced major results. The plant business had a strong showing. In the energy business, Tomen



Eurus Energy Holdings, which operates wind power generation businesses in five countries, namely Japan, the U.S., the U.K., Italy, and Spain, has started up two new wind farms in Japan.



Tomen has received an order to supply steam turbines to the West Delta Electricity Production Company in Egypt.



Tomen is the primary sales agent for the Eco-Drive Navigation System MHS-01, developed by Miyama. This system won the Agency for Natural Resources and Energy Director General's Prize in 2003.

stopped handling some low-margin crude oil transactions. As a result, trading transactions fell 45.4% from the previous fiscal year to ¥438.7 billion (US\$4,151 million). However, due to efforts to minimize SG&A expenses, operating income rose sharply to ¥0.7 billion (US\$7 million).

In other developments, Sunpot, which manufactures and sells gas- and oil-fueled equipment and electrical appliances, was listed on the Second Section of the Tokyo Stock Exchange in June 2003.

FUTURE DIRECTIONS

Tomen's strengths in the Machinery & Energy segment lie in its project management expertise and skills as a project organizer, both of which are

underpinned by long experience in global business activities. Going forward, Tomen will concentrate on demonstrating these strengths in its specialty business fields and regions, developing businesses while minimizing risks to expand earnings.

Tomen aims to pursue joint projects with Toyota Tsusho that leverage the two companies' respective strengths. This alliance has already proved especially effective in the vehicle sector. In July 2004, Tomen and Toyota Tsusho combined their petroleum products businesses to enhance their sales capabilities in ship-use bunker oil, for which demand is rising.



Tomen and Mitsui Engineering & Shipbuilding captured an order from the Indonesian government for two disaster-prevention ships.



Tomen imports crude oil from Iran. Tomen's transaction volume of Iranian crude oil represents approximately 6% of Iran's oil exports and about 25% of oil exports to Japan.



Tomen Cyber-business Solutions has developed Visual Nexus, Japan's first multi-point, fully IP-based videoconference system meeting international standards.

CORPORATE GOVERNANCE

BASIC APPROACH TO CORPORATE GOVERNANCE

Transparent management that guarantees accountability and fairness is a key management guideline set forth in the Tomen Management Philosophy. To put this into practice, Tomen has been taking proactive steps focusing on three themes: clearly allocate responsibilities for management of company-wide affairs and business execution; provide excellent disclosure and build quality relationships with society; and fulfill obligations as a member of society, taking environmental and safety concerns into full consideration.

Guided by this approach, the Tomen Group Code of Conduct was revised in February 2003. The newly

formulated Code of Conduct lists 10 basic behavioral guidelines that every employee should observe on a daily basis. Furthermore, a Risk Management Committee was established as an advisory body to the Board of Directors. The goal of this committee is to closely manage various risks and ensure rigorous compliance with laws and regulations.

IMPLEMENTATION OF CORPORATE GOVERNANCE MEASURES

Tomen has a governance structure based on corporate auditors. The five-member Board of Directors is responsible for proper and timely decision making and supervision. Of the five directors, one is an external director who serves on a non-standing

BOARD OF DIRECTORS

CHAIRMAN

Shigeru Shimazaki*¹

PRESIDENT

Mahito Kageyama*¹

SENIOR MANAGING DIRECTOR

Shunya Fukutomi*¹

MANAGING DIRECTOR

Yoshimasa Kondo*¹

DIRECTOR

Tetsuo Kakehi*²

CORPORATE AUDITORS

Masahiko Inagaki*³

Shinichiro Mizuno

Takanao Mitsui

Shozo Chikamatsu*³

*¹ Representative Directors

*² External Director

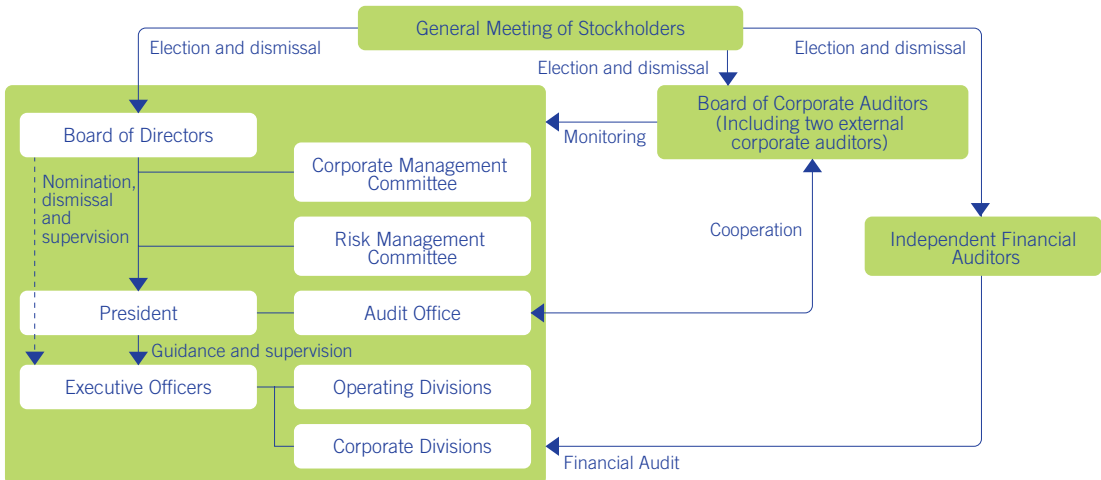
*³ External Corporate Auditors

(As of June 25, 2004)



(From Left to Right)
Tetsuo Kakehi, Shunya Fukutomi
Shigeru Shimazaki, Mahito Kageyama
Yoshimasa Kondo

TOMEN'S CORPORATE GOVERNANCE FRAMEWORK



basis. The four-member Board of Corporate Auditors is responsible for ensuring that audits are performed effectively. Two of the four corporate auditors are external corporate auditors, of whom one is a non-standing member.

In October 1998, Tomen introduced an executive officer system, whereby significant authority is vested in executive officers. In the five years since the introduction of this system, the Board of Directors has become a vibrant decision-making and supervisory body. Executive officers are responsible for managing the business sectors they oversee.

Tomen regularly reviews internal rules, organizations and structures to establish, maintain and improve systems for internal controls. Regarding the internal auditing function, the Audit Office, which reports directly to the

president, performs regular internal audits of Tomen and its group companies.

The Risk Management Committee, an advisory body to the Board of Directors, plays a central role in the Company's risk management system. Rigorous risk management and compliance are carried out, led by the Risk Management Committee.

CORPORATE GOVERNANCE HIGHLIGHTS IN THE MOST RECENT FISCAL YEAR

- In January 2004, Tomen introduced an internal reporting system to strengthen internal checks and balances.
- In January 2004, Tomen drafted its Basic Principles on Quantitative Risk Management to update market risk management guidelines.
- Corporate Management Committee meetings, which are attended by directors and standing corporate auditors, were held at least every other week, to regularly report, discuss and share information on business execution.
- A new external director was appointed.

NETWORK

(As of August 2004)



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
São Paulo
Buenos Aires
Santiago
Lima

EUROPE

London
Rotterdam
Düsseldorf
Milan
Paris
Madrid
Moscow
Tashkent

AFRICA

Cairo
Alexandria
Tunis
Algiers
Johannesburg

MIDDLE EAST

Tehran
Istanbul
Jeddah
Damascus
Amman
Tel Aviv

ASIA

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

Bandung
Surabaya
Singapore
Kuala Lumpur
Bangkok
Hanoi
Ho Chi Minh City
Phnom Penh

Vientiane
Yangon
Bombay
New Delhi
Colombo
Karachi

OCEANIA

Sydney
Perth
Auckland

MAJOR DOMESTIC SUBSIDIARIES, AFFILIATES AND BUSINESS INVESTMENTS

(As of August 2004)

CHEMICALS

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

PRODUCE & FOODSTUFFS

- **Kanto Grain Terminals Co., Ltd.**
Storage silos for feed grain, harbor transport, customs clearance functions
- **Tohoku 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
- **Tomen Foods Co., Ltd.**
Import and distribution of foodstuffs, marine products, liquors etc.
- **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

- **Ogawatee Corp.**
Planning and construction of membrane structures such as domes for stadiums
- **O'Neill Far East Corp.**
Planning, sales and licensing of O'Neill-brand products
- **Tomen Fashion Express Corp.**
Fashion information, planning, marketing and consulting
- **Tomen Hotline (Osaka) Co., Ltd.**
Design, manufacture and sales of apparel
- **Tomen Hotline Tokyo Co., Ltd.**
Design, manufacture and sales of apparel
- **Toyo Tateami Kaisha, Ltd.**
Manufacture and sales of knit fabrics
- **Toyo Cotton (Japan) Co.**
Sales, import and export of raw cotton
- **Shinatomo Co., Ltd.**
Domestic sales, import and export of various textile materials and products
- **Toyama & Co., Ltd.**
Wholesales, import and export of textiles

ELECTRONICS

- **Tomen Electronics Corp.**
Marketing and sales of semiconductors, integrated circuits, electronic components and computer-related equipment
- **Tomen Devices Corp.**
Domestic sales of semiconductor memories
- **Tokyo Musen Kizai Co., Ltd.**
Sales of electronic passive components and semiconductors
- **TAP Corp.**
Import and sales of electronic components made in China

MACHINERY & ENERGY

- **Sunpot Co., Ltd.**
Manufacture and sales of gas-fueled equipment and electrical appliances
- **Tomec Corp.**
Sales and leasing of construction and industrial machinery
- **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
- **Tomen Telecom Corp.**
Domestic sales, installation, operation and maintenance of information and communication equipment
- **Tomen Power Samukawa Co., Ltd.**
Power producer for wholesale supply to Tokyo Electric Power

Tomen Cyber-business Solutions, Inc.

- Broadband-related system integration and sales
- **Eurus Energy Holdings Corp.**
Operation and management for wind power generation projects throughout the world
- **Eurus Energy Japan Corp.**
Operation and management for wind power generation projects in Japan

OTHERS

- **TM Logistics Corp.**
Trade services and promotion of logistics business (in-group & external)
- **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
- **Tomen Business Support Ltd.**
Operation services and consulting for accounting, financing, personnel, legal and credit
- **Toyu Intex Corp.**
General affairs operation services and sales of stationery and sundries, advertising
- **Hot-Line International Transport Ltd.**
Non-vessel operating common carrier
- **Toyotsu Tomen Human Resources Corp.**
Operation service and consulting for human resources

MAJOR OVERSEAS SUBSIDIARIES, AFFILIATES AND BUSINESS INVESTMENTS

(As of August 2004)

NORTH AMERICA

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

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 Pecuarial Ltda.**
Sales of agricultural chemicals

EUROPE

- **U.K.**
- **Tomen Foods U.K. Ltd.**
Production and sales of processed Japanese foods (sushi)
- **FRANCE**
- **Arysta LifeScience Europe S.A.**
Sales of feed additives, veterinary medicines, food additives, pharmaceutical raw materials and agrochemicals
- **NETHERLANDS**
- **Eurus Energy Europe B.V.**
Operation and management for wind power generation projects in Europe
- **GERMANY**
- **Casio Europe GmbH**
Sales of Casio products

ASIA

- **TAIWAN**
- **Showa Specialty Gas (Taiwan) Co., Ltd.**
Sales of specialty gas and chemicals for semiconductors

- **Taiwan Chao Yang Chemical Co., Ltd.**
Plastics molding
- **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**
- **Philippine Prosperity Chemical Inc.**
Distribution of solvents
- **Sakamoto Orient Chemicals Corp.**
Manufacture of refined glycerin
- **Northern Mindanao Power Corp.**
Power generation projects
- **Southern Philippines Power Corp.**
Power generation projects
- **Western Mindanao Power Corp.**
Power generation projects
- **SINGAPORE**
- **Growthem Trading (Singapore) Pte. Ltd.**
Trading
- **Tomen (Singapore) Electronics Pte. Ltd.**
Marketing and sales of semiconductors, integrated circuits, electronic components and computer-related equipment
- **Tomen Power (Singapore) Pte. Ltd.**
Operation and management for power generation projects
- **Tomen Toyota Tsusho Petroleum (S) Pte. Ltd.**
Export and offshore trading of crude oil, petroleum products and bunker oil
- **MALAYSIA**
- **Bintulu Silica Industries Sdn. Bhd.**
Manufacture of sodium silicate cullets
- **Malaysian Sheet Glass Bhd.**
Manufacture of sheet glass
- **INDONESIA**
- **P.T. Styrimdo Mono Indonesia**
Production and sales of styrene monomer
- **P.T. Kaltim Pasifik Amoniak**
Production and sales of ammonia
- **P.T. Daiken Indonesia**
Manufacture and sales of *katatsu* (Japanese foot warmer)

- **P.T. Teijin Indonesia Fiber Corp.**
Manufacture of polyester fiber
- **P.T. Tomenbo Indonesia**
Synthetic yarn spinning
- **P.T. Makassar Power**
Power generation projects
- **P.T. KDS Indonesia**
Manufacture of crystal resonators
- **PAKISTAN**
- **Gul Ahmed Energy Ltd.**
Power generation projects
- **Kohinoor Energy Ltd.**
Power generation projects
- **CHINA**
- **Wuxi Advanced Chemical Co., Ltd.**
Manufacture of dyestuffs
- **Zhaoyuan Advanced Chemical Co., Ltd.**
Manufacture of brighteners
- **Dalian Advanced Chemical Co., Ltd.**
Manufacture of agricultural chemicals
- **Langfang Itokin Food Co., Ltd.**
Rice milling and production of rice flour mix
- **Shanghai Ever Green Textile Co., Ltd.**
Sizing, weaving, dyeing and finishing of acetate lining fabrics and sales
- **Shanghai Hong Ri International Electronics Co., Ltd.**
Marketing and sales of integrated circuits, semiconductors and electronic components
- **Tianjin KDS Corp.**
Manufacture of crystal resonators
- **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**
- **Dyechem 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

FINANCIAL SECTION

FIVE-YEAR SUMMARY

For the years ended March 31,	Millions of Yen					Thousands of U.S. Dollars (Note)	
	2000	2001	2002	2003	2004	2004	
Total Trading Transactions	¥2,866,909	¥2,516,523	¥2,384,848	¥2,082,898	¥1,604,084	\$15,177,254	
Gross Trading Profit	115,551	121,718	117,593	113,122	96,027	908,572	
Operating Income	25,827	34,855	25,198	25,661	28,179	266,619	
Net Income (Loss)	(94,526)	10,097	4,711	(66,970)	3,754	35,519	
Total Assets	1,687,184	1,551,265	1,448,261	971,713	769,075	7,276,705	
Stockholders' Equity	493	8,278	4,663	13,862	28,982	274,217	
Long-Term Liabilities	501,685	355,569	279,316	136,969	83,715	792,081	
Per share amounts	Yen					U.S. Cents	
Net Income (Loss)	¥(141.15)	¥16.70	¥7.39	¥(105.58)	¥5.16	¢4.88	
Cash Dividends	—	—	—	—	—	—	

Note: U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥105.69=\$1.
(See Note 3 of Notes to Consolidated Financial Statements.)

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FINANCIAL REVIEW

CONSOLIDATED TOTAL TRADING TRANSACTIONS

In fiscal 2004, the year ended March 31, 2004, the global economy remained on a recovery track, driven by the U.S. economic rebound and ongoing expansion in China. Japan's economy also saw some bright signs of recovery, but the strong yen, which has appreciated sharply since the fall of 2003, has had an adverse affect on corporate earnings. Meanwhile, overcapacity in production facilities and oversupply in labor markets continued to weigh down the economy, while deflation has persisted due to sluggish domestic demand. These factors conspired to limit the extent of Japan's recovery.

In this climate, consolidated total trading transactions declined 23.0% to ¥1,604.1 billion (US\$15,177 million), mainly a reflection of a decrease in trading transactions in Textiles, Machinery & Energy and other segments due to the process of liquidation and withdrawal from unprofitable and inefficient businesses under the "Tomen Group Medium-term Management Plan." The yen's appreciation also had a negative effect of roughly ¥80.0 billion on total trading transactions. The Electronics segment continued to perform well, posting a large increase in trading transactions. Excluding the effect of the conversion of consolidated subsidiaries into equity-method affiliates, Chemicals transactions increased. Meanwhile, trading transactions in the Produce & Foodstuffs segment remained mostly the same as in the previous fiscal year, excluding the effect of the yen's appreciation.

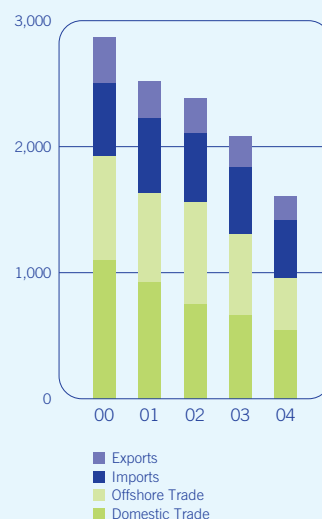
Looking at total trading transactions by trading category, Tomen recorded decreases in every category, with exports decreasing 23.7%, imports 13.2%, offshore trade 36.2% and domestic trade 17.8%.

Total Trading Transactions by Trade

For the years ended March 31,	Billions of Yen					Millions of U.S. Dollars (Note 3)	Change (%)
	2000	2001	2002	2003	2004	2004	
Exports	¥ 361	¥ 293	¥ 277	¥ 249	¥ 190	\$ 1,800	-23.7
Imports	578	590	552	530	460	4,356	-13.2
Offshore Trade	829	707	808	642	410	3,875	-36.2
Domestic Trade	1,099	927	748	662	544	5,147	-17.8
Total	¥2,867	¥2,517	¥2,385	¥2,083	¥1,604	\$15,177	-23.0

TOTAL TRADING TRANSACTIONS BY TRADE

(Billions of Yen)



By product category, Electronics transactions rose 23.1% year on year, while transactions in the Chemicals segment fell ¥37.4 billion, or 8.4%, mainly due to the conversion of consolidated subsidiary Arysta LifeScience, which is primarily active in the life sciences business, into an equity-method affiliate. In the Produce & Foodstuffs segment, the mainstay feed grain business performed well, yet trading transactions fell ¥13.4 billion, or 5.8%, chiefly due to the yen's appreciation. Transactions in Textiles were down ¥60.2 billion, or 18.8%, largely due to sluggish consumer spending and the withdrawal from unprofitable businesses. In Machinery & Energy, transactions decreased ¥364.4 billion, or 45.4%, as Tomen stopped handling certain low-margin crude oil transactions.

EARNINGS

Gross trading profit decreased 15.1% to ¥96.0 billion (US\$909 million), tracking the 23.0% decline in total trading transactions mirroring Tomen's drive to selectively focus resources on strategic businesses.

By product segment, gross trading profit in the Chemicals segment declined ¥11.5 billion, or 27.3% year on year, mainly due to the conversion of Arysta LifeScience into an equity-method affiliate. In the Produce & Foodstuffs segment, gross trading profit remained mostly the same as in the previous fiscal year, reflecting steady operations at grain silos. Gross trading profit in the Textiles segment decreased ¥1.5 billion, or 9.2%, reflecting weak consumer spending and the strong yen. The Electronics segment increased gross trading profit by ¥2.4 billion, or 16.0%, on the back of a strong performance by the semiconductor business. Gross trading profit in the Machinery & Energy segment was down ¥3.0 billion, or 17.5% year on year, reflecting earnings declines at domestic subsidiaries.

Total Trading Transactions and Gross Trading Profit by Segment

Billions of yen

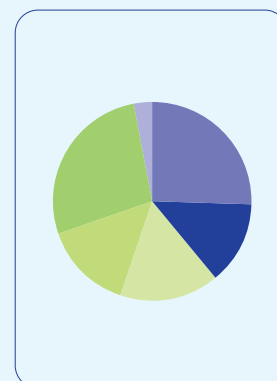
For the year ended March 31, 2004	Produce & Foodstuffs			Machinery & Energy			Total
	Chemicals	Foodstuffs	Textiles	Electronics	Energy	Others	
Total Trading Transactions	¥408.2	¥217.1	¥259.9	¥232.4	¥438.7	¥47.7	¥1,604.1
Gross Trading Profit	30.6	17.5	14.8	17.4	14.1	1.6	96.0

Millions of U.S. Dollars (Note 3)

For the year ended March 31, 2004	Produce & Foodstuffs			Machinery & Energy			Total
	Chemicals	Foodstuffs	Textiles	Electronics	Energy	Others	
Total Trading Transactions	\$3,862	\$2,054	\$2,459	\$2,199	\$4,151	\$451	\$15,177
Gross Trading Profit	290	166	140	165	133	15	909

TOTAL TRADING TRANSACTIONS BY SEGMENT

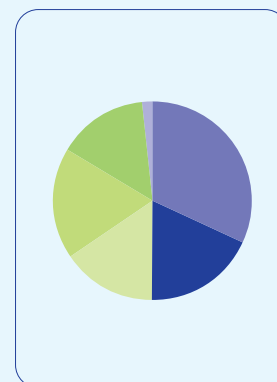
(%)



Chemicals	25.5%
Produce & Foodstuffs	13.5%
Textiles	16.2%
Electronics	14.5%
Machinery & Energy	27.3%
Others	3.0%

GROSS TRADING PROFIT BY SEGMENT

(%)



Chemicals	31.9%
Produce & Foodstuffs	18.2%
Textiles	15.4%
Electronics	18.1%
Machinery & Energy	14.7%
Others	1.7%

Efficient management and rationalization measures helped to sharply reduce selling, general and administrative (SG&A) expenses ¥19.6 billion, or 22.4%, to ¥67.8 billion. Consequently, consolidated operating income rose ¥2.5 billion, or 9.8%, to ¥28.2 billion (US\$267 million).

Meanwhile, other income (expenses) improved ¥39.4 billion from the previous fiscal year to ¥14.4 billion (US\$136 million). An improvement in interest expenses due to the repayment of interest-bearing debt was one important factor. Pursuant to the “Tomen Group Medium-term Management Plan,” Tomen booked a loss on amortization of retirement benefit obligations accompanying the termination of the tax qualified retirement plan, loss on disposal of real estate and loss on disposal of investments in and advances to unconsolidated subsidiaries and affiliates. However, Tomen also booked a gain on sales of investments in securities due to asset liquidations. As a result of the above, Tomen posted income before income taxes and minority interests of ¥13.8 billion. After deducting income taxes and minority interests, net income was ¥3.8 billion (US\$36 million).

For the years ended March 31,	Billions of Yen					Millions of U.S. Dollars (Note 3)		Change (%)
	2000	2001	2002	2003	2004	2004		
Total Trading								
Transactions	¥2,867	¥2,517	¥2,385	¥2,083	¥1,604	\$15,177	-23.0	
Gross Trading								
Profit	115.6	121.7	117.6	113.1	96.0	909	-15.1	
Selling, General & Administrative								
Expenses	(89.8)	(86.8)	(92.4)	(87.4)	(67.8)	(642)	-22.4	
Operating Income	25.8	34.9	25.2	25.7	28.2	267	9.8	
Net Income (Loss)	(94.5)	10.1	4.7	(67.0)	3.8	36	—	

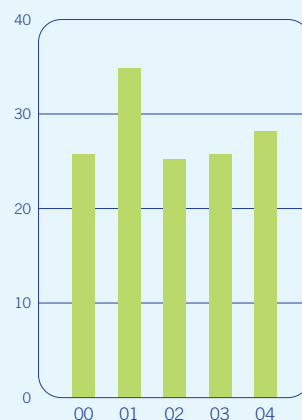
FINANCIAL POSITION

Consolidated total assets at the end of the fiscal year decreased ¥202.6 billion, or 20.9%, to ¥769.1 billion (US\$7,277 million), reflecting efforts to streamline assets and the conversion of consolidated subsidiary Arysta LifeScience into an equity-method affiliate.

Interest-bearing debt decreased ¥175.7 billion to ¥484.2 billion (US\$4,581 million). Net interest-bearing debt, excluding cash and deposits, fell ¥159.6 billion from the previous fiscal year to ¥406.3 billion.

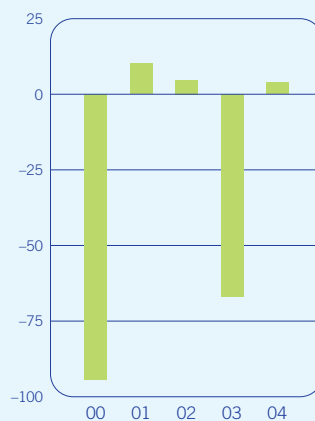
OPERATING INCOME

(Billions of Yen)



NET INCOME (LOSS)

(Billions of Yen)



As of March 31,	Billions of Yen					Millions of	Change (%)
	2000	2001	2002	2003	2004	U.S. Dollars (Note 3)	
Total Assets	¥1,687	¥1,551	¥1,448	¥ 972	¥ 769	\$7,277	-20.9
Current Assets	1,059	914	826	549	443	4,193	-19.3
Investments and Long-Term							
Receivables	278	350	305	230	210	1,987	-8.7
Property and Equipment	237	219	223	116	89	843	-23.0
Current Liabilities	1,175	1,159	1,138	785	630	5,959	-19.8
Long-Term Liabilities	502	356	279	137	84	792	-38.9
Stockholders' Equity	0.5	8.3	4.7	13.9	29.0	274	109.1

Stockholders' equity at the fiscal year-end had increased ¥15.1 billion to ¥29.0 billion (US\$274 million), mainly due to funds of ¥10.0 billion raised through private placements of shares to Toyota Tsusho and Toyota Motor, the recording of net income of ¥3.8 billion, and an improvement in net unrealized losses on investments in securities reflecting a rebound in stock prices. These factors offset deterioration in foreign currency translation adjustments due to the yen's appreciation.

ANALYSIS OF CASH FLOWS

Net cash provided by operating activities was ¥44.6 billion (US\$422 million). This mainly reflected efforts to streamline assets and other factors.

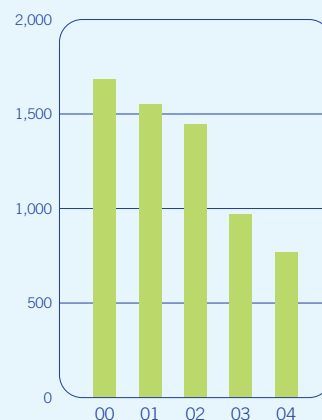
Net cash provided by investing activities was ¥41.2 billion (US\$390 million). This was mainly due to proceeds from sales of investments in securities.

Net cash used in financing activities was ¥98.3 billion (US\$930 million). The main use of cash was the repayment of interest-bearing debt, which was partly offset by funds raised through private placements of shares to Toyota Tsusho and Toyota Motor and proceeds from the issuance of bonds at subsidiaries.

After adjusting for the effects of currency rate changes and changes in the scope of consolidation, cash and cash equivalents at the end of the fiscal year were ¥79.4 billion (US\$751 million).

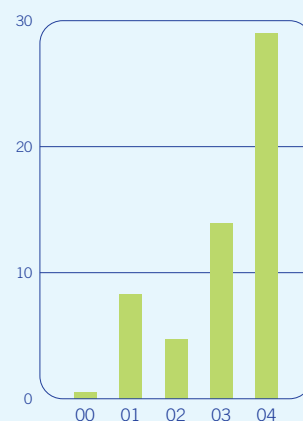
TOTAL ASSETS

(Billions of Yen)



STOCKHOLDERS' EQUITY

(Billions of Yen)



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 total trading transactions increased 0.6 of a percentage point from the previous year, from 5.4% to 6.0%. Also, the ratio of operating income to total trading transactions improved 0.6 of a percentage point to 1.8% as a result of reducing SG&A expenses. The equity ratio improved 2.4 percentage points to 3.8% due to capital increases realized through private placements of shares to Toyota Tsusho and Toyota Motor, accumulation in net income and the reduction of assets.

Financial Ratios

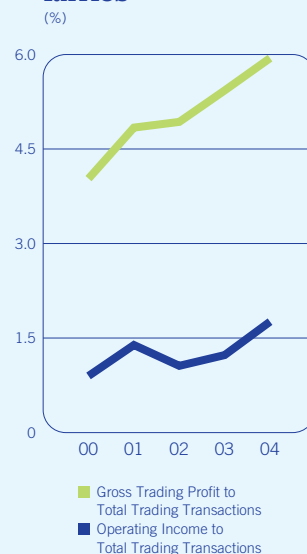
For the years ended March 31,	%				2004
	2000	2001	2002	2003	
Gross Trading Profit to Total Trading Transactions	4.0	4.8	4.9	5.4	6.0
Operating Income to Total Trading Transactions	0.9	1.4	1.1	1.2	1.8
Net Income to Total Trading Transactions	—	0.4	0.2	—	0.2
Return on Average Total Assets	—	0.6	0.3	—	0.4
Return on Average Stockholders' Equity	—	230.2	72.8	—	17.5
Current Ratio	90.1	78.9	72.6	69.9	70.4
Equity Ratio	0.0	0.5	0.3	1.4	3.8

CONSOLIDATED SUBSIDIARIES AND AFFILIATES

The total number of consolidated subsidiaries, unconsolidated equity-method subsidiaries and equity-method affiliates decreased by 89 to 214.

Consolidated subsidiaries consisted of 69 domestic companies and 145 overseas companies. Furthermore, 155 consolidated companies were in the black and 59 companies were in the red.

SELECTED FINANCIAL RATIOS



As of March 31, 2004	Domestic	Overseas	Total	Change from March 31, 2003
Consolidated Subsidiaries	51	96	147	-65
Unconsolidated Subsidiaries under the Equity Method	1	1	2	0
Equity-Method Companies	17	48	65	-24
Total	69	145	214	-89

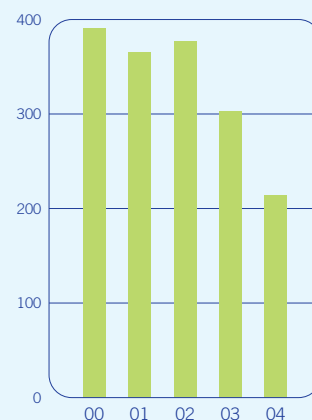
As of March 31,	2000	2001	2002	2003	2004	Change from March 31, 2003
Profit-Making Companies	295	272	300	248	155	-93
Deficit-Ridden Companies	96	94	77	55	59	+4
Total	391	366	377	303	214	-89

RISK FACTORS

The Tomen Group conducts a broad range of businesses worldwide. Particularly important matters that could have a significant impact on operating results are as follows. The Tomen Group enters into transactions denominated in foreign currencies that are exposed to the risk of currency rate fluctuations. The Tomen Group uses financial hedging instruments, such as forward foreign exchange contracts, to limit currency risks to within a certain range. Furthermore, the yen's appreciation can cause foreign currency translation adjustments, a component of stockholders' equity, to worsen. For commodities traded on markets, the Tomen Group is exposed to the risk of changes in market conditions. However, the Tomen Group uses financial instruments such as commodity futures contracts to hedge these risks. As a result, the Company believes the impact of these risks on operating results is limited.

The Tomen Group's interest-bearing debt is exposed to a negligible risk of interest rate changes during periods of rising interest rates accompanying economic cycles. However, an unforeseeable rise in interest rates could have a commensurate impact on operating results. Marketable securities holdings are also subject to the risks of changes in stock prices. However, the Tomen Group has been selling its securities holdings, principally those that have diminished in significance. As a result, the Company believes the impact of these risks on operating results is limited.

NUMBER OF SUBSIDIARIES AND AFFILIATES



CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following accounting policies related to estimates that may materially affect consolidated financial statements are recognized.

The Tomen Group provides an allowance for doubtful receivables to prepare for possible losses arising from default on receivables. In general, the amount of allowance is determined based on the past loss experience. For receivables for debtors at risk of bankruptcy and legally or substantially bankrupt debtors, the allowance is provided for individually estimated unrecoverable amounts.

The Tomen Group books an impairment loss on investments in marketable securities and equity investments held by the Company as part of its long-term business relationships or business strategies in Japan and overseas that have suffered a significant decline in value that is deemed to be other than temporary.

The Tomen Group records deferred tax assets in an amount deemed to be realizable in the future, based on tax planning. A valuation allowance is also provided for temporary differences deemed to be unrealizable.

Accrued retirement benefits are provided for the payment of employees' retirement benefits, and represent the required amount derived from the estimated retirement benefit obligation less estimated pension assets in the fiscal year under review. Assumptions used to calculate this estimate, including the discount rate, rate of salary increases, retirement rate, mortality rate, and expected rate of return on pension assets, are determined based on accounting standards for retirement benefits. During fiscal 2004, the year ended March 31, 2004, Tomen terminated its tax-qualified retirement benefit plan, booking a one-time charge for the unamortized portion of pension benefit obligations. As a result, the Company believes that changes in the above assumptions will only have a limited impact on its operating results. The Company also provides an allowance for losses on credit guarantees to prepare for possible estimated losses expected to arise from a deterioration in the financial condition of companies to which it provides guarantees for bank loans or other forms of debt. The Company also provides an allowance for real-estate-related losses to prepare for possible estimated losses accompanying the buyback of real-estate-related assets and other factors.

REVIEW OF GEOGRAPHICAL SEGMENTS

JAPAN

Trading transactions for chemicals, produce and foodstuffs, automobile exports, electronics and other areas continued to perform well. Due to progress in selectively concentrating resources on strategic businesses, trading transactions in textiles and energy declined. Consequently, total trading transactions decreased ¥450.6 billion, or 24.6%, to ¥1,380.2 billion (US\$13,059 million). However, operating income rose ¥0.8 billion, or 3.5%, to ¥22.6 billion (US\$214 million).

NORTH AMERICA

Total trading transactions were down ¥5.3 billion, or 8.1%, at ¥60.6 billion (US\$574 million), reflecting the conversion of consolidated subsidiaries in the Chemicals segment into equity-method affiliates, and restructuring in the power generation business. However, operating income improved ¥4.1 billion to ¥0.8 billion (US\$8 million).

EUROPE

Total trading transactions decreased ¥11.2 billion, or 34.9%, to ¥20.9 billion (US\$198 million), mainly due to the conversion of consolidated subsidiaries in the Chemicals segment into equity-method affiliates. Operating income was down ¥0.3 billion, or 19.9%, at ¥1.2 billion (US\$11 million).

ASIA AND OCEANIA

Total trading transactions declined ¥6.4 billion, or 4.5%, to ¥135.2 billion (US\$1,280 million) due to the impact of a spike in raw material prices on SMI, an Indonesia-based styrene monomer producer. Operating income decreased ¥1.7 billion, or 46.0%, to ¥2.0 billion (US\$19 million).

OTHERS

Total trading transactions decreased ¥5.4 billion, or 42.9%, to ¥7.2 billion (US\$68 million) mainly in Central and South America due to the conversion of consolidated subsidiaries in the Chemicals segment into equity-method affiliates. Operating income was down ¥0.5 billion, or 23.5%, at ¥1.5 billion (US\$14 million).

CONSOLIDATED BALANCE SHEETS

TOMEN CORPORATION AND CONSOLIDATED SUBSIDIARIES

March 31, 2003 and 2004

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2004	2004
Current Assets:			
Cash and time deposits (Note 5)	¥ 93,964	¥ 77,862	\$ 736,702
Marketable securities (Notes 4 and 5)	3,624	3,331	31,517
Receivables:			
Trade notes and accounts (Note 5)	315,499	263,779	2,495,780
Loans	5,727	3,721	35,207
Due from unconsolidated subsidiaries and affiliates	21,631	12,730	120,447
Allowance for doubtful receivables	(16,000)	(14,328)	(135,566)
Inventories (Note 5)	91,255	63,303	598,950
Other current assets (Note 11)	33,151	32,748	309,848
Total Current Assets	548,851	443,146	4,192,885
Investments and Long-Term Receivables:			
Investments in securities and other investments (Notes 4 and 5)	104,979	79,409	751,339
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 5)	61,237	75,550	714,826
Long-term loans and trade receivables (Note 5)	111,237	97,497	922,481
Allowance for doubtful receivables	(47,460)	(42,433)	(401,485)
Total Investments and Long-Term Receivables	229,993	210,023	1,987,161
Property and Equipment, at Cost (Note 5):			
Land	33,459	24,196	228,934
Buildings and structures	50,577	41,440	392,090
Equipment and fixtures	100,400	81,755	773,536
Property leased to others	15,402	13,920	131,706
Construction in progress	174	115	1,088
	200,012	161,426	1,527,354
Accumulated depreciation	(84,351)	(72,371)	(684,748)
Net Property and Equipment	115,661	89,055	842,606
Deferred Tax Assets (Note 11)	26,723	20,104	190,217
Intangible Assets and Other	50,485	6,747	63,836
	¥ 971,713	¥ 769,075	\$ 7,276,705

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2004	2004
Current Liabilities:			
Short-term loans (Notes 5 and 6)	¥ 436,105	¥329,525	\$3,117,845
Current portion of long-term debt (Notes 5 and 6)	100,897	85,386	807,891
Payables:			
Trade notes, acceptances and accounts	199,226	174,515	1,651,197
Due to unconsolidated subsidiaries and affiliates	6,973	5,452	51,585
Advances and deposits from customers	10,519	10,017	94,777
Accrued income taxes	5,834	4,993	47,242
Other current liabilities (Note 11)	25,755	19,949	188,749
Total Current Liabilities	785,309	629,837	5,959,286
Long-Term Liabilities:			
Long-term debt (Notes 5 and 6)	122,875	69,280	655,502
Accrued retirement benefits (Note 14)	7,109	7,141	67,566
Other long-term liabilities (Notes 2, 11 and 12)	6,985	7,294	69,013
Total Long-Term Liabilities	136,969	83,715	792,081
Minority Interests in Consolidated Subsidiaries	35,573	26,541	251,121
Contingent Liabilities (Note 12)			
Stockholders' Equity:			
Preferred stock:			
Authorized:			
400,000,000 shares			
Issued and outstanding:			
144,000,000 shares	36,000	36,000	340,619
Common stock:			
Authorized:			
2,000,000,000 shares			
Issued:			
637,649,645 shares at March 31, 2003 and			
810,061,645 shares at March 31, 2004	32,185	8,200	77,585
Capital surplus (Note 7)	51,443	42,184	399,130
Accumulated deficit	(70,344)	(23,349)	(220,920)
Net unrealized losses on investments in securities	(4,845)	(244)	(2,309)
Foreign currency translation adjustments	(30,252)	(33,425)	(316,255)
Common stock in treasury, at cost:			
3,756,315 shares at March 31, 2003 and			
4,067,750 shares at March 31, 2004	(325)	(384)	(3,633)
Total Stockholders' Equity	13,862	28,982	274,217
	¥ 971,713	¥769,075	\$7,276,705

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

TOMEN CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2003 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2004	2004
Total Trading Transactions (Notes 9 and 10)	¥2,082,898	¥1,604,084	\$15,177,254
Gross Trading Profit	113,122	96,027	908,572
Selling, General & Administrative Expenses	87,461	67,848	641,953
Operating Income (Note 9)	25,661	28,179	266,619
Other Income (Expenses):			
Interest income	8,609	4,867	46,050
Dividend income	1,033	930	8,799
Interest expense	(23,808)	(13,905)	(131,564)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	3,728	4,450	42,104
Gain on sales of investments in securities	13,465	20,429	193,292
Gain on reversal of prior service liability of retirement benefit obligation (Note 14)	—	1,849	17,495
Gain on debt forgiveness	110,000	—	—
Gain on extinguishment of debt	13,417	—	—
Loss on impaired property and equipment	(2,279)	(599)	(5,668)
Loss on sales of investments in securities and other investments	(9,249)	(1,536)	(14,533)
Loss on valuation of investments in securities	(28,037)	(2,596)	(24,562)
Provision for impaired receivables	(8,174)	(2,749)	(26,010)
Loss on disposal of investments in and advances to unconsolidated subsidiaries and affiliates	(7,608)	(2,830)	(26,776)
Loss on valuation of real estate for sale	(5,920)	—	—
Loss on disposal of real estate (Notes 12 and 18)	—	(7,632)	(72,211)
Loss on amortization of retirement benefit obligation	—	(9,232)	(87,350)
Loss on business restructuring (Note 18)	(113,453)	—	—
Other, net	(5,461)	(5,820)	(55,067)
Total	(53,737)	(14,374)	(136,001)
Income (Loss) before Income Taxes and Minority Interests	(28,076)	13,805	130,618
Income Taxes:			
Current	9,623	8,003	75,721
Deferred	26,378	(1,540)	(14,570)
	36,001	6,463	61,151
Income (Loss) before Minority Interests	(64,077)	7,342	69,467
Minority Interests	(2,893)	(3,588)	(33,948)
Net Income (Loss)	¥ (66,970)	¥ 3,754	\$ 35,519

	Yen		U.S. Cents
Net income (loss) per share (Note 16)	¥ (105.58)	¥ 5.16	¢ 4.88

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

TOMEN CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2003 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2004	2004
Preferred Stock:			
Beginning balance	—	¥ 36,000	\$ 340,619
Stock issuance	¥ 36,000	—	—
Ending balance	¥ 36,000	¥ 36,000	\$ 340,619
Common Stock:			
Beginning balance	¥ 32,185	¥ 32,185	\$ 304,523
Capital reduction without compensation	—	(28,985)	(274,246)
Stock issuance	—	5,000	47,308
Ending balance	¥ 32,185	¥ 8,200	\$ 77,585
Capital Surplus:			
Beginning balance	¥ 15,443	¥ 51,443	\$ 486,735
Disposition of capital surplus	—	(15,443)	(146,116)
Stock issuance	36,000	5,000	47,308
Gain on capital reduction	—	1,182	11,184
Gain on disposal of treasury stock	—	2	19
Ending balance	¥ 51,443	¥ 42,184	\$ 399,130
Accumulated Deficit:			
Beginning balance	¥ (3,611)	¥ (70,344)	\$(665,569)
Reduction of capital without compensation	—	27,803	263,062
Transfer from capital surplus	—	15,443	146,116
Net income (loss)	(66,970)	3,754	35,519
Bonuses to directors	(25)	(27)	(255)
Effect of changes in scope of consolidation	42	(67)	(634)
Other	220	89	841
Ending balance	¥ (70,344)	¥ (23,349)	\$(220,920)
Net Unrealized Gains (Losses) on Investments in Securities:			
Beginning balance	¥ (16,235)	¥ (4,845)	\$ (45,842)
Net unrealized gains	11,390	4,601	43,533
Ending balance	¥ (4,845)	¥ (244)	\$ (2,309)
Foreign Currency Translation Adjustments:			
Beginning balance	¥ (23,106)	¥ (30,252)	\$ (286,233)
Movement	(7,146)	(3,173)	(30,022)
Ending balance	¥ (30,252)	¥ (33,425)	\$ (316,255)
Treasury Stock:			
Beginning balance	¥ (13)	¥ (325)	\$ (3,075)
Purchase, net	(312)	(59)	(558)
Ending balance	¥ (325)	¥ (384)	\$ (3,633)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TOMEN CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2003 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2003	2004	2004
Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests	¥ (28,076)	¥ 13,805	\$ 130,618
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	9,979	6,718	63,563
Provision for impaired receivables	17,064	2,277	21,544
Equity in earnings of unconsolidated subsidiaries and affiliates	(3,728)	(4,450)	(42,104)
Impaired loss on property and equipment	2,279	599	5,668
Gain on sales of investments in securities	(4,087)	(18,894)	(178,768)
Loss on valuation of investments in securities	28,037	2,596	24,562
Interest and dividend income	(9,642)	(5,797)	(54,849)
Interest expense	23,808	13,905	131,564
Debt forgiveness gain	(110,000)	—	—
Gain on extinguishment of debt	(13,417)	—	—
Loss on business restructuring	113,453	—	—
Gain on reversal of prior service liability of retirement benefit obligation	—	(1,849)	(17,495)
Loss on amortization of retirement benefit obligation	—	9,232	87,350
Loss on disposal of real estate	—	7,632	72,211
Other	9,482	12,121	114,684
Decrease in trade receivables	38,864	23,006	217,674
Decrease in inventories	13,617	8,796	83,225
Decrease in trade payable	(9,532)	(9,691)	(91,693)
Decrease in short-term loan receivables	28,873	8,734	82,638
Interest and dividend received	9,883	6,598	62,428
Interest paid	(23,449)	(13,636)	(129,019)
Income taxes paid	(9,636)	(7,671)	(72,580)
Other, net	(2,470)	(9,395)	(88,892)
Net cash provided by operating activities	81,302	44,636	422,329
Cash Flows from Investing Activities:			
Proceeds from sales of property and equipment	37,961	3,421	32,368
Purchase of property and equipment	(3,074)	(1,332)	(12,603)
Purchase of intangible assets	(15,574)	—	—
Proceeds from sales of investments in securities	15,018	42,487	401,996
Purchase of investments in securities	(9,667)	(1,981)	(18,743)
Collection of long-term loans	8,768	12,585	119,075
Increase in long-term loans	(959)	(6,238)	(59,022)
Collection of other investments	18,009	1,232	11,657
Decrease in time deposits, net	27,834	1,529	14,467
Net cash received (paid) of sales of consolidated subsidiaries	1,200	(13,787)	(130,448)
Other, net	2,725	3,279	31,025
Net cash provided by investing activities	82,241	41,195	389,772
Cash Flows from Financing Activities:			
Proceeds from long-term debt	52,318	49,641	469,685
Repayment of long-term debt	(163,510)	(72,322)	(684,284)
Decrease in short-term debt, net	(165,616)	(87,281)	(825,821)
Cash dividends paid to minority stockholders	(352)	(393)	(3,718)
Proceeds from stock issuance	72,000	10,000	94,616
Other, net	2,420	2,044	19,339
Net cash used in financing activities	(202,740)	(98,311)	(930,183)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(7,331)	(1,748)	(16,539)
Net Decrease in Cash and Cash Equivalents	(46,528)	(14,228)	(134,621)
Cash and Cash Equivalents at Beginning of Year	140,291	93,928	888,712
Net Increase (Decrease) in Cash and Cash Equivalents with Changes in Scope of Consolidation	165	(300)	(2,837)
Cash and Cash Equivalents at End of Year (Note 15)	¥ 93,928	¥ 79,400	\$ 751,254

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOMEN CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of TOMEN CORPORATION (the “Company”) and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. Overseas subsidiaries maintain their records in conformity with accounting principles generally accepted in their respective countries. In general, no adjustments to the accounts 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.

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 the 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 the ability to exercise significant influence over the operating and financial policies of the investees are accounted for by 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:

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-end and the translation gains and losses are included in income.

All assets, liabilities, revenues 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, while stockholders’ equity is translated at the historical rates. The resulting foreign currency 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:

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

- (a) Trading securities are stated at market value. Gains and losses realized on sales or disposal and unrealized gains and losses from market value fluctuations are charged to income in the period of the fluctuation.
- (b) Other securities are carried at 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 market value are recorded at cost, being determined by the moving average method.

Property and Equipment:

Property and equipment are stated at cost. The Company and its domestic consolidated subsidiaries compute depreciation principally by the declining balance method, except that depreciation of property (excluding fixtures) acquired on and after April 1, 1998 is computed by the straight-line method. Also, foreign consolidated subsidiaries compute depreciation principally by the straight-line method.

The principal estimated useful lives for calculating depreciation are in line with definitions by tax regulations or the useful lives under accounting principles in respective countries.

Intangible Assets:

Intangible assets are amortized principally by straight-line method. Internal-use software is amortized over the estimated useful lives which do not exceed 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 the 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, 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 pension assets at fair value at the end of the fiscal year.

Unrecognized net transition obligation at the date of adopting the 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 liability is charged to income when it is incurred. For consolidated subsidiaries, it 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 it is incurred.

Unrecognized actuarial difference is amortized and charged to income on a straight-line basis over a certain 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 income when incurred. Research and development costs for the years ended March 31, 2003 and 2004 were ¥1,667 million and ¥885 million (\$8,374 thousand), 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 purposes within a limited amount to earn short-term profit.

The Companies do not use derivative instruments with highly fluctuating fair values 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 creditworthy financial institutions.

Effective January 1, 2004, the Company adopted hedge accounting under the "Accounting Standard for Financial Instruments" since the Company established a risk management organization. If derivative instruments meet certain hedging criteria, the Companies defer the recognition of gains or losses until the hedged transactions occur. The effect of the application of the hedge accounting

increased income before income taxes and minority interests by ¥774 million (\$7,323 thousand) for the year ended March 31, 2004.

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 the dilutive effect of common stock equivalents which include warrants and convertible bonds.

Accounting Standard for Impairment of Fixed Assets:

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005.

The Company has not yet applied this new standard nor has determined the effect of applying it on the Company's consolidated financial statements.

3. UNITED STATES DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥105.69=U.S.\$1, the approximate rate of exchange prevailing at March 31, 2004 has been used in translation. The inclusion of such amounts is 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 2004 is as follows:

	Millions of Yen					
	2003			2004		
	Cost	Unrealized losses	Fair value	Cost	Unrealized gains	Fair value
Securities classified as:						
Trading securities			¥ 15			¥ 0
Other securities for which market value is readily determinable:						
Equity securities	¥38,656	¥(3,040)	¥35,616	¥20,099	¥4,042	¥24,141
Debt securities	3,796	(72)	3,724	510	11	521
Other securities	3,787	(16)	3,771	3,076	15	3,091
	¥46,239	¥(3,128)	¥43,111	¥23,685	¥4,068	¥27,753

	Thousands of U.S. Dollars		
	2004		
	Cost	Unrealized gains	Fair value
Securities classified as:			
Trading securities			\$ 0
Other securities for which market value is readily determinable:			
Equity securities	\$190,169	\$38,244	\$228,413
Debt securities	4,825	104	4,929
Other securities	29,104	142	29,246
	\$224,098	\$38,490	\$262,588

The following securities, which have not been valued at fair value, are excluded from the above presentation at March 31, 2003 and 2004:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Other securities:			
Unlisted equity securities (excluding over-the-counter securities)	¥27,908	¥19,480	\$184,313
Unlisted debt securities	2	33	312
	¥27,910	¥19,513	\$184,625

Total sales of other securities sold for the year ended March 31, 2004 amounted to ¥35,630 million (\$337,118 thousand) and the related gains and losses amounted to ¥12,606 million (\$119,273 thousand) and ¥742 million (\$7,021 thousand), respectively.

The carrying values by maturity for securities classified as other securities at March 31, 2004 were as follows:

At March 31,	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥3,331	\$31,517
Due after one year through five years	—	—
Due after five years through ten years	—	—
Due after ten years	—	—
	¥3,331	\$31,517

5. PLEDGED ASSETS

At March 31, 2003 and 2004, the following assets were pledged as collateral for certain obligations including guaranties of the Companies.

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Time deposits	¥ 2,062	¥ 4	\$ 38
Investments in securities	27,684	20,735	196,187
Trade notes and accounts, receivables	15,137	11,733	111,013
Inventories	7,760	3,536	33,456
Property and equipment, net book value	36,268	32,971	311,960
Other assets	3,017	2,122	20,078
Total	¥91,928	¥71,101	\$672,732

6. SHORT-TERM LOANS AND LONG-TERM DEBT

The average annual interest rates applicable to short-term loans outstanding at March 31, 2003 and 2004 were 1.75% and 1.67%, respectively.

Long-term debt at March 31, 2003 and 2004 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Yen 0.47% Bonds due 2004	¥ 100	¥ 100	\$ 946
Yen 0.59% Bonds due 2008	—	200	1,892
Yen 0.90% Bonds due 2009	200	200	1,892
US\$ 6.00% Convertible Bonds due 2009 (First)	1,222	—	—
US\$ 6.00% Convertible Bonds due 2009 (Second)	1,735	—	—
Secured loans	34,722	20,400	193,018
Unsecured loans	185,793	133,766	1,265,645
	223,772	154,666	1,463,393
Less current portion	(100,897)	(85,386)	(807,891)
	¥ 122,875	¥ 69,280	\$ 655,502

The average of annual interest rates applicable to long-term loans outstanding at March 31, 2003 and 2004 were 2.91% and 2.59%, respectively.

As is customary in Japan, short-term and long-term bank loans 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 loans 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, 2004 were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 85,386	\$ 807,891
2006	45,767	433,030
2007	6,538	61,860
2008	6,336	59,949
2009	5,376	50,866
2010 and thereafter	5,263	49,797
Total	¥154,666	\$1,463,393

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.

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 the 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 2004 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 2004.

	Millions of Yen					
	2003			2004		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Equipment	¥2,296	¥(1,036)	¥ 1,260	¥2,181	¥(1,034)	¥1,147
Fixture	4,606	(2,788)	1,818	3,782	(2,337)	1,445
Other	32	(23)	9	66	(20)	46
Total	¥6,934	¥(3,847)	¥ 3,087	¥6,029	¥(3,391)	¥2,638

	Thousands of U.S. Dollars		
	2004		
	Acquisition cost	Accumulated depreciation	Net book value
At March 31, 2004			
Equipment	\$20,636	\$ (9,783)	\$10,853
Fixture	35,784	(22,112)	13,672
Other	624	(189)	435
Total	\$57,044	\$(32,084)	\$24,960

Future minimum lease payments:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Due within one year	¥1,222	¥ 961	\$ 9,093
Due after one year	1,910	1,682	15,914
Total	¥3,132	¥2,643	\$25,007

Annual lease payments excluding sub lease transactions for the years ended March 31, 2003 and 2004 amounted to ¥1,133 million and ¥1,086 million (\$10,275 thousand), respectively.

Depreciation for the years ended March 31, 2003 and 2004 amounted to ¥1,133 million and ¥1,086 million (\$10,275 thousand), 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 receivable:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Due within one year	¥72	¥ 8	\$ 76
Due after one year	17	13	123
Total	¥89	¥21	\$199

Noncancelable Operating Leases

Future minimum lease payments under agreements classified as operating leases with noncancelable terms for the years ended March 31, 2003 and 2004 were as follows:

(Lessee)

Future minimum lease payments:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Due within one year	¥ 2,190	¥ 1,910	\$ 18,072
Due after one year	12,887	8,823	83,480
Total	¥15,077	¥10,733	\$101,552

(Lessor)

Future minimum lease payments to be received:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Due within one year	¥172	¥171	\$1,618
Due after one year	380	429	4,059
Total	¥552	¥600	\$5,677

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 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 and 2004 was as follows:

Year ended March 31, 2003	Millions of Yen							Elimination or Corporate	Consolidated
	Chemicals	Produce & Foodstuffs	Textiles	Electronics	Machinery & Energy	Others	Total		
Total Trading Transactions:									
Outside customers	¥445,664	¥230,473	¥320,039	¥188,825	¥803,060	¥94,837	¥2,082,898	—	¥2,082,898
Inter-segment	527	114	1,505	75	1,303	4,189	7,713	¥ (7,713)	—
Total	¥446,191	¥230,587	¥321,544	¥188,900	¥804,363	¥99,026	¥2,090,611	¥ (7,713)	¥2,082,898
Operating expenses	¥432,365	¥223,198	¥317,260	¥182,705	¥804,674	¥98,969	¥2,059,171	¥ (1,934)	¥2,057,237
Operating income (loss)	13,826	7,389	4,284	6,195	(311)	57	31,440	(5,779)	25,661
Total assets	255,748	75,478	88,437	86,356	200,571	122,839	829,429	142,284	971,713
Depreciation	3,593	1,707	97	82	2,106	1,707	9,292	607	9,899
Capital expenditure	15,588	464	30	46	2,300	182	18,610	38	18,648

Millions of Yen									
Year ended March 31, 2004	Chemicals	Produce & Foodstuffs	Textiles	Electronics	Machinery & Energy	Others	Total	Elimination or Corporate	Consolidated
Total Trading Transactions:									
Outside customers	¥408,243	¥217,115	¥259,886	¥232,426	¥438,678	¥47,736	¥1,604,084	—	¥1,604,084
Inter-segment	124	11	1,401	89	879	6,708	9,212	¥ (9,212)	—
Total	¥408,367	¥217,126	¥261,287	¥232,515	¥439,557	¥54,444	¥1,613,296	¥ (9,212)	¥1,604,084
Operating expenses	¥397,988	¥207,820	¥256,615	¥224,927	¥438,862	¥54,781	¥1,580,993	¥ (5,088)	¥1,575,905
Operating income (loss)	10,379	9,306	4,672	7,588	695	(337)	32,303	(4,124)	28,179
Total assets	200,627	74,097	74,996	91,149	159,050	84,987	684,906	84,169	769,075
Depreciation	2,584	1,382	90	97	1,242	498	5,893	514	6,407
Capital expenditure	1,037	358	43	15	252	76	1,781	50	1,831

According to the business restructuring based on “Tomen Group Medium-term Management Plan” which was resolved on December 27, 2002, effective for the year ended March 31, 2004, the Companies changed their configuration of operating segment as follows:

- To separate the operation of “Electronics”, which was included in “Machinery”
- To separate the operation of “Energy” from “Chemicals & Energy”, and merge “Machinery” with “Energy” as “Machinery & Energy”
- To include “Construction & Real Estate” in “Others” as it became immaterial

As a result, information by operation for the year ended March 31, 2003 has been restated to conform to the presentation for the year ended March 31, 2004.

Thousands of U.S. Dollars									
Year ended March 31, 2004	Chemicals	Produce & Foodstuffs	Textiles	Electronics	Machinery & Energy	Others	Total	Elimination or Corporate	Consolidated
Total Trading Transactions:									
Outside customers	\$3,862,645	\$2,054,262	\$2,458,946	\$2,199,130	\$4,150,610	\$451,661	\$15,177,254	—	\$15,177,254
Inter-segment	1,174	105	13,256	842	8,317	63,468	87,162	\$(87,162)	—
Total	\$3,863,819	\$2,054,367	\$2,472,202	\$2,199,972	\$4,158,927	\$515,129	\$15,264,416	\$(87,162)	\$15,177,254
Operating expenses	\$3,765,616	\$1,966,317	\$2,427,997	\$2,128,177	\$4,152,351	\$518,318	\$14,958,776	\$(48,141)	\$14,910,635
Operating income (loss)	98,203	88,050	44,205	71,795	6,576	(3,189)	305,640	(39,021)	266,619
Total assets	1,898,259	701,079	709,585	862,418	1,504,873	804,116	6,480,330	796,375	7,276,705
Depreciation	24,449	13,076	852	918	11,751	4,712	55,758	4,863	60,621
Capital expenditure	9,812	3,387	407	142	2,384	719	16,851	473	17,324

Notes: (1) Unallocated operating expenses included in the column “Elimination or Corporate” amounted to ¥5,797 million and ¥4,197 million (\$39,710 thousand) for the years ended March 31, 2003 and 2004, respectively. Major items include expenses, relating to administrative operations.

(2) Unallocated corporate assets included in the column “Elimination or Corporate” amounted to ¥144,041 million and ¥86,615 million (\$819,519 thousand) for the years ended March 31, 2003 and 2004, 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 and 2004 was as follows:

Millions of Yen

Year ended March 31, 2003	Japan	North America	Europe	Asia/Oceania	Others	Total	Elimination or Corporate	Consolidated
Total Trading Transactions:								
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)	—
Total	¥1,903,378	¥129,388	¥38,132	¥167,537	¥12,850	¥2,251,285	¥(168,387)	¥2,082,898
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

Millions of Yen

Year ended March 31, 2004	Japan	North America	Europe	Asia/Oceania	Others	Total	Elimination or Corporate	Consolidated
Total Trading Transactions:								
Outside customers	¥1,380,157	¥ 60,634	¥20,876	¥135,232	¥ 7,185	¥1,604,084	—	¥1,604,084
Inter-segment	74,847	68,722	5,172	23,358	277	172,376	¥(172,376)	—
Total	¥1,455,004	¥129,356	¥26,048	¥158,590	¥ 7,462	¥1,776,460	¥(172,376)	¥1,604,084
Operating expenses	¥1,432,362	¥128,527	¥24,893	¥156,615	¥ 5,934	¥1,748,331	¥(172,426)	¥1,575,905
Operating income	22,642	829	1,155	1,975	1,528	28,129	50	28,179
Total assets	733,768	82,396	23,539	92,556	16,800	949,059	(179,984)	769,075

Thousands of U.S. Dollars

Year ended March 31, 2004	Japan	North America	Europe	Asia/Oceania	Others	Total	Elimination or Corporate	Consolidated
Total Trading Transactions:								
Outside customers	\$13,058,539	\$ 573,697	\$197,521	\$1,279,515	\$67,982	\$15,177,254	—	\$15,177,254
Inter-segment	708,175	650,222	48,936	221,005	2,621	1,630,959	\$(1,630,959)	—
Total	\$13,766,714	\$1,223,919	\$246,457	\$1,500,520	\$70,603	\$16,808,213	\$(1,630,958)	\$15,177,254
Operating expenses	\$13,552,484	\$1,216,075	\$235,529	\$1,481,833	\$56,146	\$16,542,067	\$(1,631,432)	\$14,910,635
Operating income	214,230	7,844	10,928	18,687	14,457	266,146	473	266,619
Total assets	6,942,644	779,601	222,717	875,731	158,955	8,979,648	(1,702,943)	7,276,705

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 and 2004 were as follows:

Millions of Yen

	2003				
	North America	Europe	Asia/Oceania	Other	Total
Overseas trading transactions with outside customers	¥167,981	¥214,090	¥448,112	¥60,540	¥890,723
Percentage of total trading transactions	8.0%	10.3%	21.5%	2.9%	42.7%

	Millions of Yen				
	2004				
	North America	Europe	Asia/Oceania	Other	Total
Overseas trading transactions with outside customers	¥56,067	¥41,863	¥450,869	¥50,969	¥599,768
Percentage of total trading transactions	3.5%	2.6%	28.1%	3.2%	37.4%

	Thousands of U.S. Dollars				
	2004				
	North America	Europe	Asia/Oceania	Other	Total
Overseas trading transactions with outside customers	\$530,485	\$396,092	\$4,265,957	\$482,250	\$5,674,784

10. SALES TO AND PURCHASES FROM UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Sales to and purchase from unconsolidated subsidiaries and affiliates for the years ended March 31, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Sales	¥44,705	¥45,788	\$433,229
Purchases	33,265	36,898	349,115

11. DEFERRED TAXES

Significant components of deferred tax assets and liabilities at March 31, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Deferred tax assets:			
Allowance for doubtful receivables	¥ 16,326	¥ 26,382	\$ 249,617
Loss on revaluation of investments in unconsolidated subsidiaries and affiliates	32,260	30,273	286,432
Accrued retirement benefits	2,302	2,491	23,569
Unrealized intercompany profit	481	299	2,829
Unrealized loss on other securities	2,549	1,386	13,114
Loss on revaluation of investments in securities	7,534	8,268	78,229
Net operating loss carryforwards	10,877	10,238	96,868
Other	7,357	6,858	64,887
Gross deferred tax assets	79,686	86,195	815,545
Valuation allowance	(46,654)	(57,047)	(539,757)
Total deferred tax assets	33,032	29,148	275,788
Deferred tax liabilities:			
Depreciation	1,810	1,696	16,047
Unrealized profit on other securities	168	1,674	15,839
Other	4,748	1,381	13,067
Gross deferred tax liabilities	6,726	4,751	44,953
Net deferred tax assets	¥ 26,306	¥ 24,397	\$ 230,835

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 declined starting from the fiscal year beginning April 1, 2004. As a result, statutory income tax rate declined 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, and income taxes-deferred and net unrealized holding losses on other securities increased by ¥592 million and ¥21 million, respectively.

Reconciliation of the difference between the statutory income tax rate and the effective income tax rate for the year ended March 31, 2004 was as follows:

	2004
Statutory income tax rate	40.4%
Difference in tax rates for foreign subsidiaries	(4.7)
Equity in earnings of unconsolidated subsidiaries and affiliates	(13.0)
Expenses not deductible for income tax purposes	6.0
Tax benefits not recognized on loss of certain subsidiaries	13.6
Other	4.5
Effective income tax rate	46.8%

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 ¥16,318 million (\$154,395 thousand) at March 31, 2004.

The Companies were contingently liable for trade notes receivable discounted with banks and endorsed to suppliers in an amount of ¥6,406 million (\$60,611 thousand) at March 31, 2004.

The Company and Tomen Real Estate Development Co., Ltd. (“TRED”), which is a consolidated subsidiary of the Company, sold lands to Organization for Promoting Urban Development (“OPRD”) with return condition in 1999. The sales prices of the lands were ¥2,999 million and ¥2,942 million, respectively. Under the return condition, OPRD has a right to return the lands to the Company and TRED within ten years from purchase contract date. The Company and TRED provided allowance for estimated loss on the return of the lands which would be required if OPRD exercise the right in the future. The allowance for estimated loss at March 31, 2003 and 2004 amounted ¥208 million and ¥2,168 million (\$20,512 thousand), respectively.

13. DERIVATIVE INSTRUMENTS

Fair value and unrealized gains (losses) on the contract amount of derivative instruments at March 31, 2003 and 2004 were as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2003			2004			2004		
Currency Related:	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)	¥65,057	¥63,986	¥1,071	\$615,545	\$605,412	\$10,133
Euro	2,197	2,265	(68)	605	591	14	5,724	5,592	132
Australian dollars	15	15	—	314	314	0	2,971	2,971	0
Other currencies	1,945	2,081	(136)	743	771	(28)	7,030	7,295	(265)
Buying:									
U.S. dollars	60,951	61,249	298	53,906	52,807	(1,099)	510,039	499,641	(10,398)
Other currencies	5,478	5,772	294	3,882	3,825	(57)	36,730	36,191	(539)
Currency swap contracts:									
Australian dollars	2,000	192	192	2,000	102	102	18,923	965	965
Total			¥510			¥ 3			\$ 28

Note: The fair value of forward exchange contracts is calculated based on the quoted market price.

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

The derivative transactions accounted for as hedge are excluded from the above disclosure.

	Millions of Yen						Thousands of U.S. Dollars		
	2003			2004			2004		
Interest Rate Related:	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)
Interest rate swap contracts:									
Receipt-fixed/ Payment-variable rate	¥21,500	¥660	¥660	¥7,500	¥66	¥66	\$70,962	\$624	\$624
Receipt-variable/ Payment-fixed rate	26,000	(709)	(709)	6,000	(50)	(50)	56,770	(473)	(473)
Total			¥ (49)			¥16			\$151

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

The derivative transactions accounted for as hedge are excluded in the above disclosure.

	Millions of Yen						Thousands of U.S. Dollars		
	2003			2004			2004		
Security Related:	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	¥—	¥—	¥—	\$—	\$—	\$—
Total			¥57			¥—			\$—

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

Commodity Related:	Millions of Yen						Thousands of U.S. Dollars		
	2003			2004			2004		
	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)
Future contracts:									
Produce & Foodstuffs									
Selling	¥4,330	¥4,342	¥ (12)	¥886	¥903	¥(17)	\$8,383	\$8,544	\$(161)
Buying	4,563	4,541	(22)	705	726	21	6,670	6,869	199
Textiles									
Selling	1,628	1,736	(108)	—	—	—	—	—	—
Buying	1,469	1,556	87	—	—	—	—	—	—
Forward contracts:									
Metals									
Selling	2,201	2,120	81	—	—	—	—	—	—
Buying	2,041	1,922	(119)	—	—	—	—	—	—
Total			¥ (93)			¥ 4			\$ 38

Note: The fair value of contracts with transactions in the market is the final market value on The Tokyo Grain Exchange or other exchanges. The fair value of contracts which is not traded in the market is based on the value calculated by major transaction partners. The derivative transactions accounted for as hedge are excluded in the above disclosure.

14. ACCRUED RETIREMENT BENEFITS

The Company employed a qualified retirement-funded pension plan and a lump-sum retirement benefit plan until fiscal 2003.

In fiscal 2004, the Company decided to revise the benefit plan in order to strengthen cost competitiveness. As a result, the Company terminated the tax qualified retirement-funded pension plan and plan to establish defined contribution plan. In relation to the termination of the plan, the company recognized gain on reversal of prior service liability amounted to ¥1,849 million (\$17,495 thousand) and loss on amortization of retirement benefit obligation amounted to ¥9,232 million (\$87,350 thousand).

Certain domestic subsidiaries maintain welfare pension fund plans, qualified retirement-funded pension plans and the lump-sum retirement benefit plans.

Certain overseas subsidiaries maintain defined contribution plans.

Benefit obligation, plan assets and funded status of the Companies at March 31, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Projected benefit obligation	¥ 60,453	¥21,288	\$ 201,419
Plan assets at fair value	(21,687)	(5,627)	(53,241)
Funded status	38,766	15,661	148,178
Unrecognized net transition obligation at date of adoption	(14,490)	(3,361)	(31,801)
Unrecognized actuarial loss	(17,148)	(5,108)	(48,330)
Unrecognized prior service cost	(19)	(51)	(481)
Accrued retirement benefits	¥ 7,109	¥ 7,141	\$ 67,566

Severance and pension costs of the Companies, which included the following components, for the years ended March 31, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Service cost	¥ 2,722	¥1,511	\$14,297
Interest cost	1,497	1,062	10,048
Expected return on plan assets	(1,067)	(614)	(5,809)
Effect of change from alternative method to principle method	—	295	2,791
Transition obligation at date of adoption	1,954	1,279	12,101
Actuarial losses	1,202	1,456	13,776
Prior service cost	7	8	76
Net periodic benefit cost	¥ 6,315	¥4,997	\$47,280

Assumptions used in the calculation for the defined benefits plan for the years ended March 31, 2003 and 2004 were as follows:

	2003	2004
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	Straight-line basis	Straight-line basis
Amortization period for prior service liability	5 year	Note
Amortization period for actuarial gains/losses	11 year	11 year
Amortization period for transition obligation at date of adoption	5 to 15 year	5 to 15 year

Note: The Company fully amortizes it in the fiscal year when it is incurred.

Subsidiaries amortize it mainly over 5 years, which does not exceed the average remaining service years of employees at the end of the fiscal year when it is incurred.

15. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents at March 31, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Cash and time deposits	¥93,964	¥77,862	\$736,702
Less, time deposits with deposit term of over three months	(3,632)	(1,273)	(12,045)
Add, marketable securities with maturity of less than three months	3,596	2,811	26,597
Cash and cash equivalents	¥93,928	¥79,400	\$751,254

16. PER SHARE AMOUNT

The basis for calculation of net income (loss) per share and diluted net income for the years ended March 31, 2003 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Numerator:			
Net income (loss)	¥ (66,970)	¥ 3,754	\$ 35,519
Payment of bonuses to directors and corporate auditors	—	(26)	(246)
Net income available to common stockholders	(66,970)	3,728	35,273
Effect of dilutive securities:			
Convertible bonds issued by affiliate	—	24	227
Diluted net income	—	3,752	35,500
Denominator:			
Basic weighted average number of shares outstanding (1,000 shares)	634,294	722,190	
Effect of dilutive securities:			
Preferred stock (1,000 shares)		1,118,306	
Diluted weighted number of shares outstanding (1,000 shares)	—	1,910,496	
Net income (loss) per share:			
Basic	¥ (105.58)	¥ 5.16	¢ 4.88
Diluted	—	1.96	1.85

The computation of diluted net income per share for the year ended March 31, 2003 was omitted because of net loss per share.

17. RECLASSIFICATION

Certain reclassifications of previously reported amounts have been made to the consolidated statements of cash flows for the year ended March 31, 2003 to conform to the current year presentation. Such reclassifications have no effect on net assets, net income and cash flows.

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 the 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 which consisted of loss on disposal or revaluation of real estate amounting to ¥101,946 million, provision for impaired receivables amounting to ¥6,230 million, provision for certain impaired overseas receivables amounting to ¥2,899 million and loss on valuation of investments in securities amounting to ¥2,378 million. As a result, the net loss for the year ended March 31, 2003, amounted to ¥66,970 million. As the action to this net loss and to increase the capital, the Company obtained the forgiveness of debt amounting to ¥110,000 million from UFJ Bank and issued preferred stocks amounting to ¥72,000 million 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 was 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.

At March 31, 2004, as a part of the medium-term management plan, with early disposal plan of real estate, the Company revalued certain real estate and recorded loss on real estate amounted to ¥7,632 million (\$72,211 thousand) which consisted of loss on disposal or revaluation of real estate amounted to ¥4,390 million (\$41,537 thousand), provision for impaired receivables amounted to ¥1,257 million (\$11,893 thousand), provision for certain estimated loss on lands amounted to ¥1,960 million (\$18,545 thousand) and provision for loss on guarantees amounted to ¥25 million (\$236 thousand).

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
TOMEN CORPORATION

We have audited the accompanying consolidated balance sheets of TOMEN CORPORATION and its consolidated subsidiaries as of March 31, 2003 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for the years 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.

We conducted our audits in accordance with auditing standards generally accepted in Japan. These 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOMEN CORPORATION and its consolidated subsidiaries as of March 31, 2003 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 9, effective for the year ended March 31, 2004, TOMEN CORPORATION and its consolidated subsidiaries changed their configuration of operating segment.

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

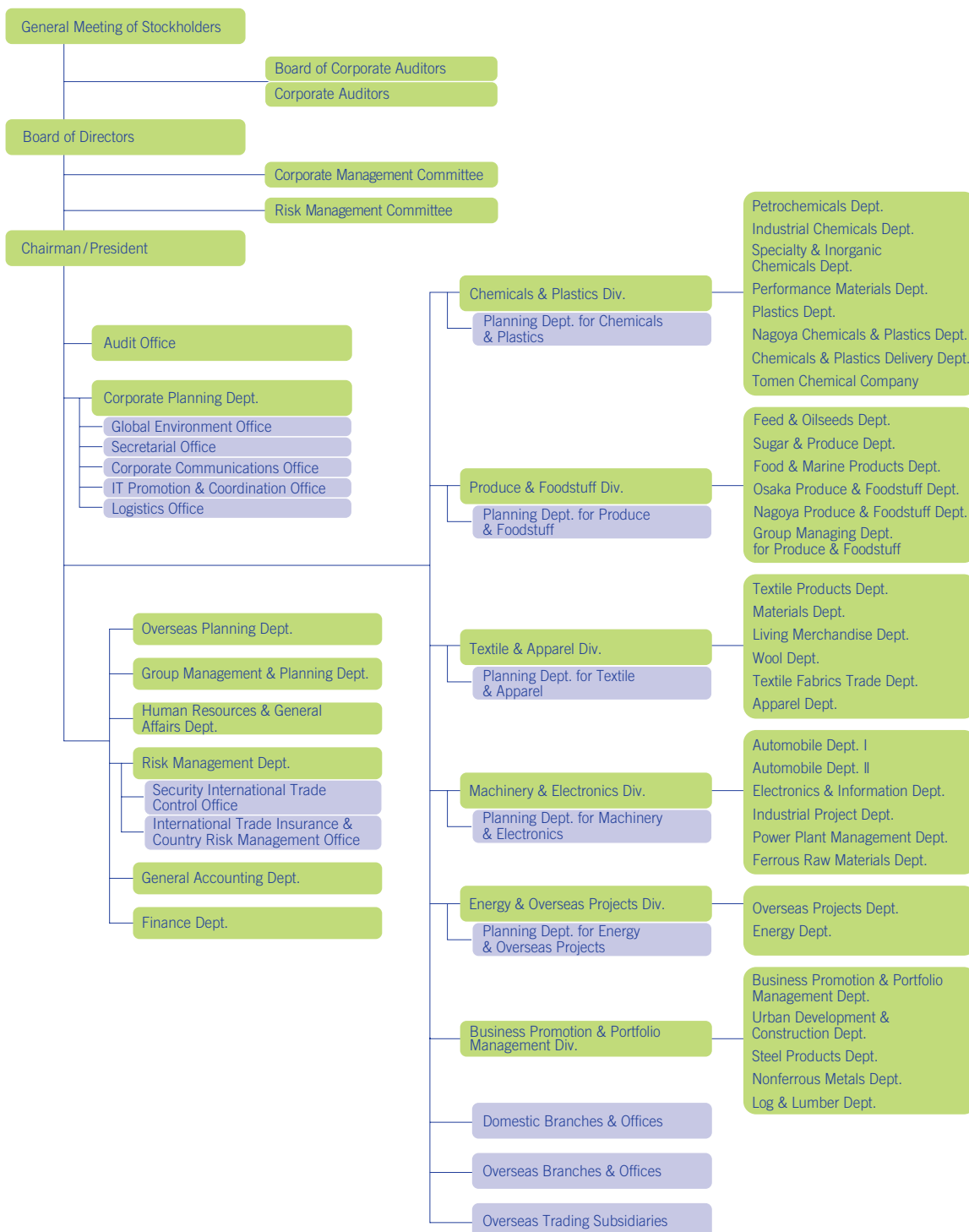
A handwritten signature in cursive script that reads "Chuo Aoyama PricewaterhouseCoopers". The signature is written in dark ink on a light-colored background.

ChuoAoyama PricewaterhouseCoopers

Osaka, Japan
June 25, 2004

ORGANIZATION

(As of August 1, 2004)



HISTORY

- 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
- 1990** English name changed to Tomen Corporation
- 1998** “Restructuring Plan” announced
- 2000** “Tomen Renovation Plan” announced
 - Tokyo headquarters relocated to Tomen Marunouchi Building in Chiyoda-ku, Tokyo
 - Private placement of shares worth ¥7.5 billion to Toyota Tsusho Corporation
 - Formulation of a new corporate philosophy, “Value Trader”
- 2001** Osaka Headquarters relocated to Sumitomo Nakanoshima Building in Kita-ku, Osaka
- 2003** “Tomen Group Medium-term Management Plan” announced
 - Private placements of shares worth ¥10.0 billion to Toyota Tsusho Corporation and Toyota Motor Corporation

STOCKHOLDER INFORMATION

(As of March 31, 2004)

TOKYO HEAD OFFICE:	8-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-8320, Japan Tel: 81-3-5288-2111 Fax: 81-3-5288-9100																																	
OSAKA HEAD OFFICE:	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																																	
NAGOYA OFFICE:	18-25, Marunouchi 2-chome, Naka-ku, Nagoya 460-8710, Japan Tel: 81-52-232-5111 Fax: 81-52-232-5351																																	
OFFICES:	Domestic 9 Overseas 68																																	
CONSOLIDATED SUBSIDIARIES:	Domestic 51 Overseas 96 (Total 147)																																	
AFFILIATED COMPANIES: (Equity Method)	Domestic 18 Overseas 49 (Total 67)																																	
NUMBER OF EMPLOYEES:	Non-consolidated: 1,245 (including 207 staff overseas) Consolidated: 4,626 (Total 5,871)																																	
OUTSTANDING SHARES:	Ordinary stock: 810,061,645 shares Preferred stock: 144,000,000 shares																																	
PAID-IN CAPITAL:	¥44,199,948,000																																	
MAJOR STOCKHOLDERS:																																		
	<table><thead><tr><th>Stockholder</th><th>No. of shares (thousands of shares)</th><th>Percentage of voting shares held (%)</th></tr></thead><tbody><tr><td>Toyota Tsusho Corporation</td><td>159,735</td><td>20.15</td></tr><tr><td>Toyota Motor Corporation</td><td>86,206</td><td>10.87</td></tr><tr><td>UFJ Bank Ltd.</td><td>31,434</td><td>3.96</td></tr><tr><td>Aioi Insurance Co., Ltd.</td><td>26,275</td><td>3.31</td></tr><tr><td>Japan Trustee Services Bank, Ltd. (Trust Account)</td><td>25,151</td><td>3.17</td></tr><tr><td>Mitsui Sumitomo Insurance Co., Ltd.</td><td>20,049</td><td>2.53</td></tr><tr><td>Morgan Stanley & Co. International Limited</td><td>20,031</td><td>2.52</td></tr><tr><td>Banca Intesa Client Omnibus Account</td><td>15,918</td><td>2.00</td></tr><tr><td>State Street Bank and Trust Company</td><td>14,110</td><td>1.78</td></tr><tr><td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td><td>13,178</td><td>1.66</td></tr></tbody></table>	Stockholder	No. of shares (thousands of shares)	Percentage of voting shares held (%)	Toyota Tsusho Corporation	159,735	20.15	Toyota Motor Corporation	86,206	10.87	UFJ Bank Ltd.	31,434	3.96	Aioi Insurance Co., Ltd.	26,275	3.31	Japan Trustee Services Bank, Ltd. (Trust Account)	25,151	3.17	Mitsui Sumitomo Insurance Co., Ltd.	20,049	2.53	Morgan Stanley & Co. International Limited	20,031	2.52	Banca Intesa Client Omnibus Account	15,918	2.00	State Street Bank and Trust Company	14,110	1.78	The Master Trust Bank of Japan, Ltd. (Trust Account)	13,178	1.66
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STOCK LISTINGS:	Tokyo, Osaka, Nagoya stock exchanges																																	
TRANSFER AGENT AND REGISTER:	The Chuo Mitsui Trust and Banking Co., Ltd.																																	

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

Corporate Communications Office, Tomen Corporation
8-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-8320, Japan
Tel: 81-3-5288-2086
Fax: 81-3-5288-9063
E-mail: ir@tomen.com
Homepage: <http://www.tomen.co.jp>

