

ITOCHU Corporation

Information and multimedia: Total solution providing business in IT, mobile and contents, and broadband businesses.

Consumer and retail related: *Expand the brand portfolio of our textile business including non-clothing products. Strengthen SIS (Strategic Integrated System) strategy in the food business, integrating from raw material procurement to retailing.*

Natural resource development: *Energy resource development such as equity-based crude oil and LNG; metals and mineral resources development such as iron ore and coal.*

Attractive & Powerful



Speed & Action

Financial services: Foreign exchange dealings based on real demand of foreign currency, fee business such as fund structuring and its sales to institutional investors, and consumer finance.

North America: *Local business in "Niche & Dominant" fields, such as leasing, power plant-related business, and sales of fences and other construction materials.*

Asia: *Regional trade of chemicals and other products. Domestic sales of general merchandise and distribution business in China.*

ANNUAL REPORT 2002

For the year ended March 31, 2002



ITOCHU Corporation

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Corporate Profile

For two fiscal years from April 1999 to March 2001, ITOCHU Corporation completed *Global-2000*, a mid-term plan to implement a major reorganization of its profit and financial structures. ITOCHU reached a record consolidated net income of ¥70.5 billion in fiscal year 2001 ended March 31, 2001 resulting from improved overall profitability by intensively allocating resources in the *A&P (Attractive and Powerful)* segments: information and multimedia; consumer and retail related; natural resource development; financial services; and North America. In addition, our financial position was greatly improved through a reduction in total assets and interest-bearing debts.

With the success in *Global-2000* and to further progress in the reorganization, the new mid-term plan *A&P-2002* started in April 2001. ITOCHU aims to build a corporate group comprised of the very top companies in each of their respective industries, with consolidated net income of ¥100 billion in fiscal year 2005. To achieve this goal, during this two-year period, ITOCHU is transforming itself to go beyond the conventional business model of trading companies and develop new businesses based on the *A&P* strategy.

In fiscal year 2002, the first year of *A&P-2002*, ITOCHU posted ¥30.2 billion in consolidated net income in a difficult business environment. In fiscal year 2003, with newly added *A&P* segments and areas, metals and mineral resources development and Asia, ITOCHU will accelerate reorganization of its profit structure and management system with emphasis on "Speed & Action."

Two-Year Financial Highlights

ITOCHU Corporation and Subsidiaries
Years ended March 31

	Millions of Yen		Millions of U.S. dollars
	2002	2001	2002
For the year:			
Total trading transactions	¥11,400,471	12,135,261	\$85,557
Gross trading profit	578,867	611,600	4,344
Gross trading profit ratio (%)	5.08	5.04	
Trading income	96,517	108,620	724
Net income	30,191	70,507	227
At year-end:			
Total assets	4,752,319	5,157,519	35,665
Stockholders' equity	397,668	316,940	2,984
Net interest-bearing debts*	2,296,398	2,536,840	17,234
Per ten shares (Yen, U.S. dollars):			
Net income	212	495	1.59
Cash dividends	50	50	0.38
Ratio:			
Asset turnover (Times)	2.4	2.4	
ROA(%)	0.6	1.3	
ROE (%)	8.4	23.6	
Ratio of stockholders' equity to total assets (%)	8.4	6.1	
Net debt-to-equity ratio (Times)	5.8	8.0	
Interest coverage (Times)	2.1	1.5	

The Japanese yen amounts for the year ended March 31, 2002, have been translated into United States dollar amounts, solely for the convenience of the reader, at the rate of ¥133.25=U.S.\$1.

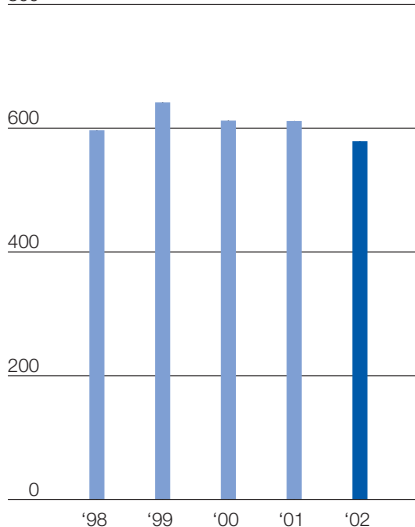
Dividends per ten shares are those declared with respect to the income of each of the respective years.

All figures are for fiscal years, which begin on April 1 of the years preceding and extend through March 31.

*Net interest-bearing debts = Interest-bearing debts – Cash, cash equivalents and time deposits

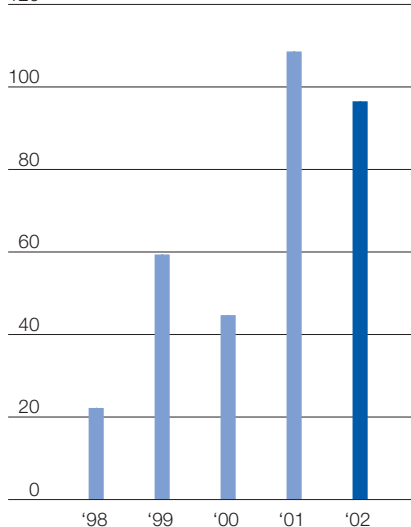
Gross Trading Profit

Billions of Yen
800



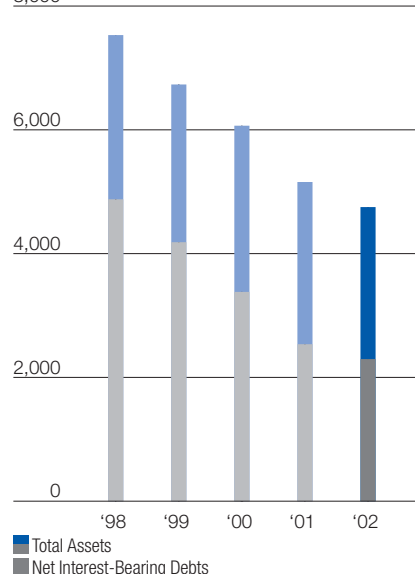
Trading Income

Billions of Yen
120

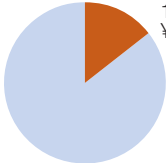
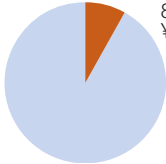
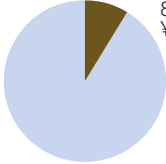
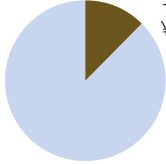
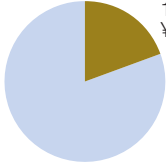
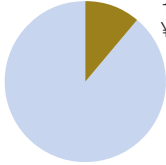
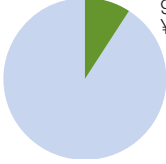
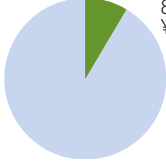
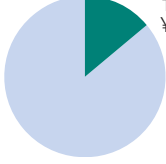
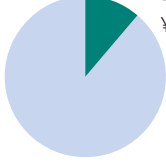
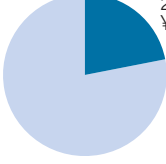
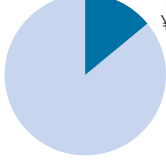
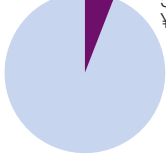
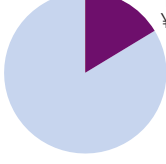
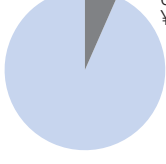
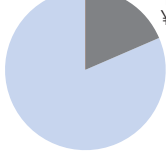


Total Assets and Net Interest-Bearing Debts

Billions of Yen
8,000



Financial Highlights by Operating Segment

	Gross Trading Profit (For the fiscal year ended March 31, 2002)	Assets (As of March 31, 2002)
Textile Company	 <p>14.4% ¥83.5 billion</p>	 <p>8.1% ¥384.1 billion</p>
Plant, Automobile & Industrial Machinery Company	 <p>8.7% ¥50.2 billion</p>	 <p>12.4% ¥588.1 billion</p>
Aerospace, Electronics & Multimedia Company	 <p>19.5% ¥112.6 billion</p>	 <p>11.1% ¥526.2 billion</p>
Energy, Metals & Minerals Company	 <p>9.1% ¥52.7 billion</p>	 <p>8.4% ¥401.6 billion</p>
Chemicals, Forest Products & General Merchandise Company	 <p>13.9% ¥80.7 billion</p>	 <p>11.2% ¥532.7 billion</p>
Food Company	 <p>21.9% ¥126.9 billion</p>	 <p>14.0% ¥665.1 billion</p>
Finance, Realty, Insurance & Logistics Services Company	 <p>5.9% ¥34.4 billion</p>	 <p>16.3% ¥773.4 billion</p>
Other, Adjustments & Eliminations	 <p>6.6% ¥38.0 billion</p>	 <p>18.5% ¥881.1 billion</p>

Dear Stockholders and Customers



Uichiro Niwa, President and Chief Executive Officer

Consolidated Results for Fiscal Year 2002 ended March 2002

Under the harsh worldwide business environment, ITOCHU Corporation posted severe consolidated results for fiscal year 2002. Despite this, I am confident of our earning power, which proved to be as robust as last fiscal year.

Total trading transactions decreased by 6.1% or ¥734.8 billion from the previous fiscal year to ¥11,400.5 billion. The decrease primarily resulted from shrinking business in most sectors due to Japan's deflationary economy and the economic slowdown in the U.S. Transferring the steel business to a new equity-method affiliate, Marubeni-Itochu Steel Inc., our new joint venture with Marubeni Corporation, also had a negative impact on our total trading transactions. Domestic transactions decreased particularly in the chemical, construction and realty sectors. Import transactions decreased in the energy sector. Offshore transactions also declined due to the absence of large-scale transactions comparable to last fiscal year's transactions. On the other hand, export transactions increased due to the growth in plant and vessel exports.

Gross trading profit decreased by 5.4% or ¥32.7 billion from the previous fiscal year to ¥578.9 billion. However, this translates into an increase of ¥9.0 billion, when taking into consideration the absence of ¥28.6 billion earned by U.S. leasing subsidiaries, which were sold during the previous fiscal year, and a ¥13.0 billion decrease caused by the transfer of our steel business to the new joint venture company. In addition, our gross trading profit ratio reached a record of 5.08%.

Selling, general and administrative expenses increased by 2.7% or ¥12.3 billion due to an increase in pension expenses and new investments at IT-related subsidiaries. Provision for doubtful accounts decreased by ¥32.9 billion compared to the previous fiscal year when a large sum of doubtful accounts emerged particularly in Asian business. As a result, trading income fell by 11.1% or ¥12.1 billion to ¥96.5 billion. This should be interpreted as an increase of approximately ¥5 billion when taking into consideration the ¥15.4 billion earned by U.S. leasing subsidiaries and a transfer of ¥2.0 billion earned by steel business.

Net financial expenses dramatically improved by

¥33.6 billion to minus ¥21.9 billion. Interest expenses were lowered by ¥47.0 billion due to the aggressive cutback in interest-bearing debts, including expenses in U.S. leasing subsidiaries sold during the previous fiscal year, coupled by prevailing lower interest rates domestically and overseas. Also, we saw an increase in dividends received including ¥5.2 billion in the resource development companies.

We posted a ¥13.5 billion profit on disposal of investments and marketable securities, net of write-downs. Devaluation losses of marketable securities soared to ¥51.7 billion, mainly for bank shares, due to a decline in the stock market at the end of fiscal year 2002. Such losses related to subsidiaries as the disposal of under-performing businesses resulted in a loss of ¥13.0 billion. On the other hand, we posted a ¥57.3 billion profit related to the establishment of a pension trust and a ¥20.9 billion profit on sales of marketable securities.

Consequently, net income decreased 57.2% to ¥30.2 billion.

More importantly, ITOCHU has also been focusing on adjusted profit (i.e., Trading income before provision for doubtful accounts + Net financial expenses + Net income from equity-method associated companies) as an indicator of profitability. Adjusted profit stood at ¥102.8 billion, a decrease of ¥5.3 billion compared to the previous fiscal year. Excluding the influence of ¥6.8 billion related to U.S. leasing subsidiaries, this should be interpreted as the same level as a ¥1.5 billion increase. I believe that our profitability remains high.

Progress of A&P-2002 in Its First Year

In April 2001 ITOCHU started its two-year mid-term plan *A&P-2002* comprised of the “Reorganization of the Profit Structure” and the “Restructuring of the Management System.” In the plan, these two years are identified as a period during which ITOCHU will discard conventional business models and develop new businesses based on *A&P (Attractive and Powerful)* strategy.”

A&P Strategy—First Initiative for Reorganization of the Profit Structure

The first initiative to strengthen our overall profit structure is our *A&P* strategy focusing on *A&P* segments, which originally started as information and multimedia; consumer and retail related; natural resource development; financial services and North America. We have been intensively allocating assets and shifting management resources to these strategic business domains. In the first year, we increased assets of *A&P* segments to total assets from 44% to 46%.

Consolidated net income earned from *A&P* segments, excluding unusual profit on the sale of investments, decreased 18% to ¥45.5 billion, which represents 151% of total net income.

We have recently seen the following major business developments in specific *A&P* segments:

- In the information and multimedia sector, the stock of SPACE SHOWER NETWORKS INC., which operates music and other specialty TV channels, was listed on JASDAQ (formerly the Over-the-Counter market) in April 2001.
- In the consumer and retail related sector, ITOCHU established I-FOODS Co., Ltd., a sales company to handle the full range of raw materials, in order to strengthen the overall structure of the food business. Also, ITOCHU acquired a 10% stake in YUKIJIRUSHI ACCESS, INC., which is Japan's top wholesaler of frozen and chilled foods. These steps reinforced our intermediary distribution capability, which is at the core of our SIS (Strategic Integrated System) strategy, and enable us to establish a comprehensive food distribution network together with ITOCHU SHOKUHIN Co., Ltd. and Nishino Trading Co., Ltd.
- In the natural resource development sector, the Sakhalin oil field project has proceeded to the development phase. Also, ITOCHU has increased its stake in Brazilian pulp manufacturer CENIBRA, thus dramatically increasing our pulp transaction volume and ensuring prominent forest resources for our products.

On the other hand, in the iron and steel sector, a non-A&P, ITOCHU established Marubeni-Itochu Steel Inc. last October. The new company showed a favorable launch, maximizing economies of scale and cost reduction mainly through the merging of coil centers.

Maximization of the Group Value—The Second Initiative for Reorganization of the Profit Structure

ITOCHU has been focusing on maximizing profits earned by group companies. One of these is the GMC (Group Management Committee), which was launched in fiscal year 2002 with major subsidiaries as its members. Our efforts were rewarded by an ¥8.6 billion increase in net income from consolidated subsidiaries and affiliates to ¥31.7 billion, net of ¥53.3 billion in profit from profitable companies and a ¥21.6 billion loss from unprofitable companies. In addition, the number of profitable companies increased by 2.7 percentage points to 76.2% with 511 profitable companies. As a result of aggressive elimination of unprofitable businesses, the total number of consolidated companies decreased by 69 to 671 as of March 2002 compared to March 2001.

Besides this, we have achieved solid results in reinforcing our consolidated financial position by reducing total assets and interest-bearing debts and enhancing stockholders' equity. Total assets as of March 2002 decreased by ¥405.2 billion to ¥4,752.3 billion from March 2001. While interest-bearing debts dramatically decreased from ¥3,070.5 billion of March 2001 to ¥2,794.7 billion of March 2002, stockholders' equity increased by ¥80.7 billion to ¥397.7 billion during the same period, which resulted in an improvement in net debt-to-equity ratio from 8.0 times to 5.8 times.

In addition to our A&P strategy and maximization of group value, we have been promoting "overseas regional and market strategies." Going beyond the conventional trade-based business connecting Japan with overseas, ITOCHU is seeking to build optimal business models and management organizations best suited to respective regions and markets from a global point of view.

Reorganization of the Management System

In line with the reorganization of the profit structure, the management system is being reorganized to more appropriately meet global standards. We have made reforms in four major fields; reinforcement of corporate governance, reorganization of corporate structure, highly advanced risk management and human resource strategy.

First of all, we have enhanced corporate governance. We have improved corporate information disclosure by publishing quarterly results ahead of the competition. Also, we streamlined the Board of Directors and reinforced the Board of Corporate Auditors. These are typical examples how ITOCHU emphasizes corporate governance through management transparency and accountability as well as the maximization of profitability and growth.

We have promoted the reorganization of our corporate structure since the Division Company Structure was first introduced in fiscal year 1998. It is designed to enable ITOCHU to become a holding company for our current Division Companies in the future. Each Division Company has steadily developed an optimal management system suited to its own business characteristics and acquired self-management.

ITOCHU has implemented the sophistication of RCM (Risk Capital Management), a risk management system based on the RAROC (Risk-Adjusted Return On Capital) method. RCM usage has widely spread to domestic and overseas operations, enabling us to substantially reduce provision for doubtful accounts from ¥49.8 billion in the previous fiscal year to ¥16.8 billion. To further improve risk management, we encourage each employee to be a "risk manager who is responsible for the improvement of risk-adjusted return" with a "clean, honest and beautiful" working attitude.

The basic policy of our human resource strategy lies in enhancement of training programs with the "right person in the right place." We give young, capable employees the opportunity to experience management in domestic subsidiary companies and

overseas businesses. Also, to supplement our regional and market strategy, we have proactively offered the "Asian Leadership Program" in Tokyo Headquarters to staff from other Asian countries.

"Speed & Action"

In fiscal year 2003, the second and final year of *A&P-2002*, we will accelerate reforms with emphasis on "Speed & Action" or proactive behavior and implementation. Through further aggressive reorganization of our profit structure and management system, we will ensure the achievement of a new ITOCHU in March 2005, moving away from our conventional business model.

New A&P Segments—Asia and Metal Resources

We recently upgraded "Asia" as an *A&P* segment, resulting in a total of six *A&P* segments. In Asia, our business has steadily expanded mainly in textile, food and chemicals fields. We believe our business in Asia has tremendous potential for profitability, only next to our North American business. ITOCHU will establish an optimal business structure to capture expanding business opportunities in the wake of China's participation in the WTO.

At the same time, we extended natural resource development, one of our *A&P* segments, to cover "metal resources." Our metal resources business is becoming as profitable as our energy resources business. ITOCHU owns interests in quality projects involving iron ore, coal and alumina mining mainly in Australia. We anticipate higher profitability in this field, based on improved profitability of individual projects and favorable market conditions such as a recent rise in metal prices and monopolization of quality projects by major global players in metal mining industry.

In addition, utilizing RCM, we have divided all the businesses into 130 units and categorized them into three groups: "Businesses to strengthen or develop," "Businesses to improve or restructure" and "Businesses to exit or withdraw from." We found unprofitable businesses even in *A&P* segments and

promising businesses in non-*A&P* segments. Based on this analysis, each Division Company is actively revising its business portfolio. I believe this is the best time to obtain quality assets, as we are approaching the end of Japan's deflationary economy. We will allocate more management resources into high growth areas.

Drivers of A&P Strategy

ITOCHU has strong drivers to propel its *A&P* strategy, including its retail strategy, brands, LT (Logistics Technology), IT (Information Technology), FT (Financial Technology) as well as new technology such as biotechnology and nanotechnology.

One of our competitive edges is the fact that we have our own bases (network and logistics) from upstream procurement of raw materials to downstream retailing. We have reinforced our retailing capabilities with equity in FamilyMart Co., Ltd., a convenience store chain, and through an alliance with Seibu Department Stores, Ltd., while strengthening the midstream and upstream making full use of LT, IT and FT.

Brand is one of the most important strategic resources for ITOCHU. We are focusing on getting the most value out of a variety of domestic and international brands we deal with, while building a strong ITOCHU corporate brand.

We recently founded the Innovative Technology Business Development Office, in which we deploy experienced employees to work on new technology-related business. Also, we have decided to invest ¥3 billion in a global bio-venture fund and promote alliances with TLOs (Technology Licensing Office) and laboratories in Japan, the U.S., Europe and Australia. We are concentrating on discovering promising projects and creating business from them with close cooperation among Division Companies.

Vertical Synthesis and Horizontal Synthesis

Moving out of the conventional trading business, we are aggressively promoting vertical and horizontal synthesis.

On the one hand, ITOCHU is transforming itself into a corporate group that creates a consistent flow of business in each sector with “vertical synthesis” or a vertical linking of our bases from upstream to downstream.

On the other hand, a “horizontal synthesis” is indispensable in creating a feasible business out of business seeds and information. To facilitate this, we have a morning meeting on Mondays to exchange business information among representatives from each Division Company. Also, we have a unique department, *Net Valley*, which specializes in assessing the feasibility of IT-related projects. I always look forward to attending its meetings, where we discuss a wide variety of opportunities horizontally, or across the whole spectrum of our business areas.

We are facing more and more complex projects. A sole Division Company sometimes has difficulty in dealing with them or maximizing project value. We are reinforcing our comprehensive strength by collaborating among Division Companies. I am proud that ITOCHU is capable of creating a high value with vertical and horizontal synthesis, more than redeeming the so-called “conglomerate discount.”

Dreams and Excitement

I will never allow unprofitable businesses to continue without a clear picture of growth. Group vitality is essential. If profits from successful businesses are absorbed by the losses from under-performing businesses for an extended period of time, this will undermine employee motivation and lower the group vitality. I have implemented, without compromise, a rule to eliminate business units showing three consecutive years of loss with no potential growth.

To build a vigorous group, it is also crucial to foster a culture in which all the employees share *dreams and excitement*. I recently came across a good

example that shows the progress in our culture. When a project was approved at a management meeting, the department manager showed the approval with a “V” sign to the department members. All the members stood up and welcomed the manager with applause. To make our whole organization share the same dreams is the first step to make ITOCHU a corporate group that can provide its stockholders and customers with *dreams and excitement*.

ITOCHU is transforming itself into a group of companies that are leaders in their respective industries. By fostering a number of *Attractive & Powerful* businesses, we will steadily move forward to the goal of a consolidated net income of ¥100 billion for the fiscal year ending March 2005.

The U.S. economy shows a recovery backed by steady consumer consumption. In turn, the economies in Europe and Asia are also expected to gradually recover. This is a favorable sign for ITOCHU with our strong competitiveness in North America and Asia, both *A&P* areas. On the other hand, Japan’s domestic markets may suffer a continued slump. Despite this, we will develop business leveraging the drivers of our *A&P* strategy.

Thank you very much for your understanding and support for ITOCHU’s business strategies for becoming an *Attractive & Powerful* group.

July 2002

Uichiro Niwa
President and Chief Executive Officer

The Mid-Term Plan, A&P-2002

Review of the First Year and Plan for the Second Year

For two years from April 1999 to March 2001, ITOCHU implemented *Global-2000*, as the first step forward in being an *Attractive and Powerful* corporate group. The Company reorganized the profit structure and disposed of inefficient and under-performing assets by intensively allocating resources to *Attractive & Powerful (A&P)* segments and areas, in which ITOCHU is *Attractive* to customers and has *Powerful* capability. As a result, the Company substantially improved its profitability and financial structure.

From April 2001, based on the A&P strategy, the Company started *A&P-2002*, our two-year mid-term plan. ITOCHU aims to build a corporate group comprised of the very top companies in their respective industries, with a consolidated net income of ¥100 billion for fiscal year 2005. To achieve this goal, during this two-year period, ITOCHU is reorganizing to go beyond the conventional business model of trading companies and develop new businesses based on the A&P strategy.

Creating a New Business Model—"Reorganization of the Profit Structure"

At the beginning of fiscal year 2002, the first year of *A&P-2002*, the Company set numerical goals (see the table on the right).

In the first year, the Company successfully reduced total assets and interest-bearing debts and already achieved the goals set for the second year of *A&P-2002*. Stockholders' equity also steadily increased to almost reach the goal. As a result, net DER (debt-to-equity ratio) significantly improved to 5.8 times exceeding the goal of the first year of 6.5 times. In light of these favorable results, the Company stretched the goals of fiscal year 2003 and final goals in fiscal year 2005 to accelerate reduction in total assets and interest-bearing debts and improvement in net DER.

On the other hand, net income decreased compared to the previous fiscal year due to Japan's deflationary economy and stock market slump, and the unpredictable economic slowdown in the U.S. caused by the terrorist attacks. However, in addition to signs of recovery in the world economy, particularly in the U.S., the Company expects that new investments in Asia, a new *A&P* area, as well as the consumer and retail segment and the natural resource development segment will largely contribute to financial results in fiscal year 2003 and later.

In fiscal year 2003, the Company will focus on establishing a more profitable asset structure by implementing our *A&P* strategy as a top priority, and steadily progress toward its final goals in fiscal year 2005, to achieve ¥100 billion in net income.

Numerical Plans for A&P-2002 (Consolidated-basis)

	Billions of yen			
	Starting Point	Results in the First Year of A&P-2002	Plans of the Second Year of A&P-2002	Targets
	2001	2002	2003	2005
P/L Goals				
For fiscal years:				
Net income	70.5	30.2	50.0 (-23.0)	100.0 (±0.0)
B/S Goals				
As of March 31:				
Total assets	5,157.5	4,752.3	4,650.0 (-150.0)	4,400.0 (-400.0)
Interest-bearing debts	3,070.5	2,794.7	2,750.0 (-50.0)	2,400.0 (-300.0)
Net interest-bearing debts*	2,536.8	2,296.4	2,250.0 (-150.0)	2,000.0 or less (-300.0 or more)
Stockholders' equity	316.9	397.7	440.0 (-20.0)	650.0 (±0.0)
Risk assets**	1,390.0	1,280.0	1,250.0 (-70.0)	1,200.0 (-50.0)
Financial Ratio Targets				
For fiscal years:				
ROA***	1.26%	0.61%	1.1% (-0.4)	2.3% (+0.2)
ROE***	23.6%	8.4%	11.4% (-4.5)	15.4% (±0)
As of March 31:				
RRl****	5.1%	2.4%	4.0% (-1.5)	8.3% (+0.3)
Net DER	8.0 times	5.8 times	5.1 times (-0.1)	3.0 times (-0.5)
Equity ratio	6.1%	8.4%	9.5% (-0.1)	14.8% (+1.3)

() Increase/Decrease from original plans or targets

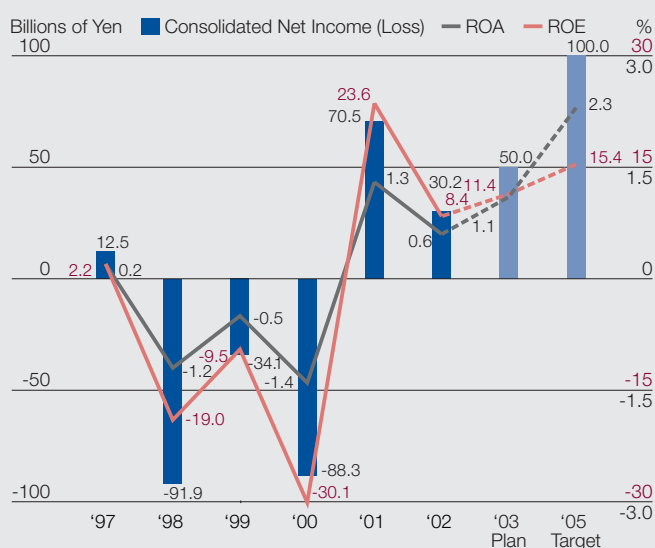
* Net interest-bearing debts = Interest-bearing debts - Cash, cash equivalents and time deposits

** Risk Assets = Asset book value x Risk weight for each asset

*** ROA and ROE in fiscal year 2001 and 2002 were calculated from average amounts of total assets and stockholders' equity at the beginning of year and at the end of year.

****Risk Return Index (RRl) = Net income ÷ Risk assets

Consolidated Net Income (Loss), ROA and ROE



* Years ended March 31

Five Major General Trading Companies—Financial Results in Fiscal Year 2002

ITOCHU boasts top-class profitability among general trading companies in Japan.

	Billions of yen				
	ITOCHU Corporation	Mitsubishi Corporation	Mitsui & Co., Ltd.	Sumitomo Corporation	Marubeni Corporation
Gross trading profit	578.9 (-5.4%)	643.9	554.1	487.3	436.8
Gross trading profit ratio (%)	5.08% (+0.04%)	4.87	4.38	5.05	4.87
Trading income before provision for doubtful accounts	113.3 (-28.4%)	101.1	97.9	86.4	44.7
Trading income	96.5 (-11.1%)	68.2	76.7	88.4	0.8
Adjusted profit	102.8 (-4.9%)	134.3	126.4	79.5	3.8

() Increase/Decrease from the previous fiscal year
Adjusted profit: Trading income before provision for doubtful accounts + Net financial expenses + Net income from equity-method associated companies

1) Continued Implementation of A&P Strategy

By continuing to implement our A&P strategy, we aim to build an optimal business portfolio and further strengthen profitability.

For example, the Company categorizes its whole business into 130 business units and analyzes them in terms of profitability, efficiency and growth potential by utilizing RCM (see page 12) at the A&P Strategic Committee chaired by the president. Based on this analysis, these 130 business units are divided into three groups: “Businesses to strengthen or develop,” “Businesses to improve or restructure” and “Businesses to exit or withdraw from,” and a development strategy or withdrawal strategy is formulated for each one.

This process is applied to both A&P segments and non-A&P segments. In fact, there are “Businesses to reduce or withdraw from” even in A&P segments and “Businesses to strengthen or develop” in non-A&P segments.

In fiscal year 2002, the Company made new investments of more than ¥110 billion, while it withdrew from under-performing investments worth ¥90 billion. As a result, the Company decreased assets of non-A&P segments from approximately ¥2,900 billion to approximately ¥2,580 billion, and increased the percentage of assets in A&P segments and areas from 44% to 46%.

In fiscal year 2003, the Company aims to enhance this percentage up to 55% by eliminating or improving inefficient assets, as well as allocating resources intensively to efficient assets.

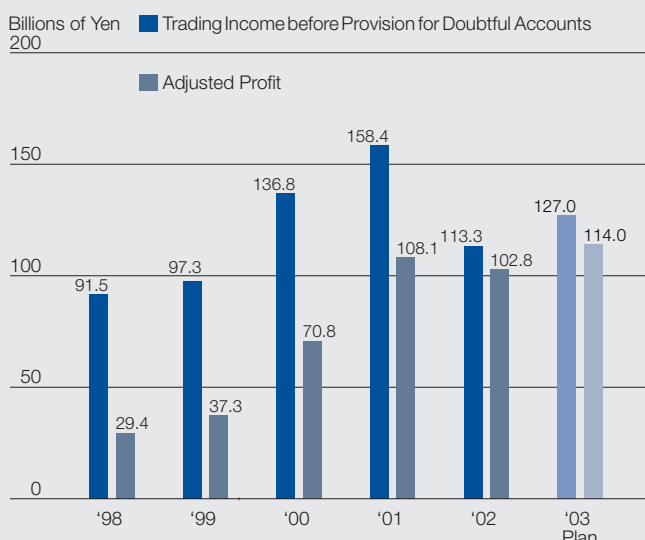
As for goals in fiscal year 2005, the Company stretched its goals and changed the percentage of assets in A&P segments from 63% to 68%, and assets of non-A&P segments from ¥1,800 billion to ¥1,400 billion.

Allocation of Resources to A&P Segments (Assets)

	Billions of yen		
	Starting Point	Results in the First Year of A&P-2002	Plans of the Second Year of A&P-2002
As of March 31	2001	2002	2003
Information and Multimedia	518.6	526.2	520.0
Consumer and Retail Related	1,080.0	1,049.2	1,095.0
Natural Resource Development	242.9	220.4	380.0
Financial Services	233.2	207.4	210.0
North America	184.4	174.1	190.0
Asia	—	—	85.0
Others	—	—	70.0
Total A&P	2,259.1	2,177.3	2,550.0 (-50.0)
Percentage of total assets	44%	46%	55% (-1)
Total non-A&P	2,898.4	2,575.0	2,100.0

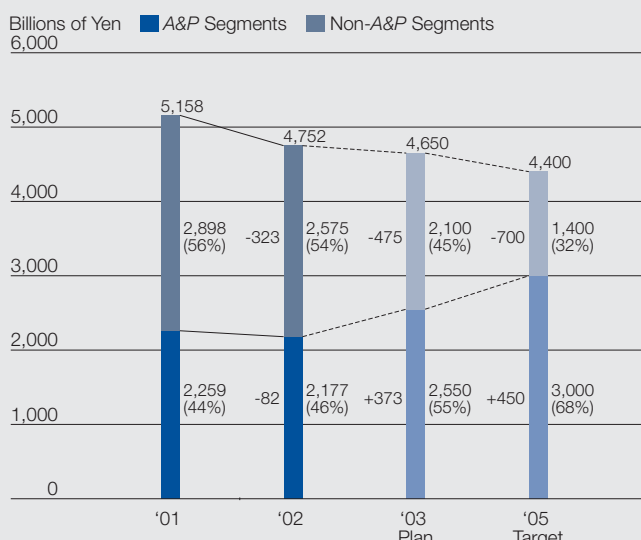
() Increase/Decrease from original plans

Trading Income before Provision for Doubtful Accounts and Adjusted Profit



Adjusted profit: Trading income before provision for doubtful accounts + Net financial expenses + Net income from equity-method associated companies
* Years ended March 31

Composition of Consolidated Assets



* As of March 31

Consolidated net income earned from our A&P segments, excluding unusual profits, decreased by 18% from ¥55.5 billion of the previous fiscal year to ¥45.5 billion, mainly due to the economic slowdown in the U.S. However, the Company expects that new A&P segments and areas, metals and mineral resources development and Asia (see page 13), as well as other new investments will contribute to its profits. In addition, in fiscal year 2005, we expect that over 80%, or ¥80 billion in consolidated net income, will be from A&P segments.

Consolidated Net Income Earned from A&P Segments

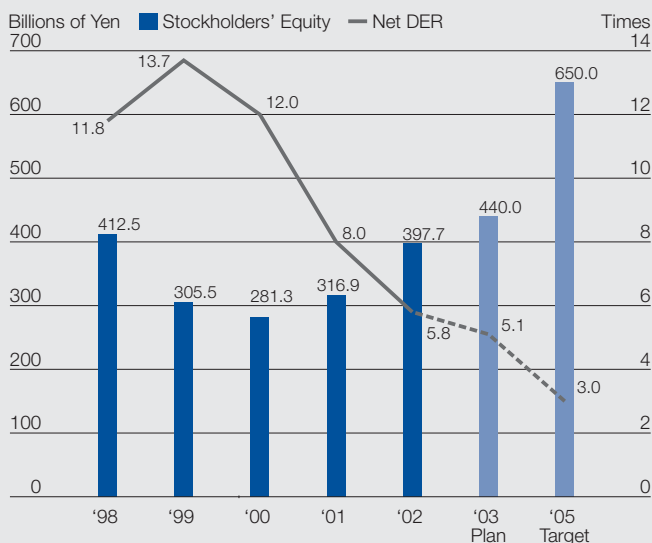
For fiscal years	Billions of yen		
	Starting Point	Results in the First Year of A&P-2002	Plans of the Second Year of A&P-2002
	2001	2002	2003
Information and Multimedia	23.6	17.8	16.0
Consumer and Retail Related	15.4	16.9	24.0
Natural Resource Development	7.5	7.3	10.0
Financial Services	3.0	5.5	6.0
North America	6.0	-2.0	2.0
Asia	—	—	4.0
Others	—	—	(-3.0)
Total A&P	55.5	45.5	62.0
Percentage of net income	79%	151%	124%

(-) Increase/Decrease from original plans

2) Maximization of the Group Value

In A&P-2002, the Company is promoting “Maximization of the Group Value Based on our A&P Strategy,” along with “Total Group Competitiveness,” and “Extensive Management of Subsidiaries.”

Stockholders' Equity and Net DER



* As of March 31

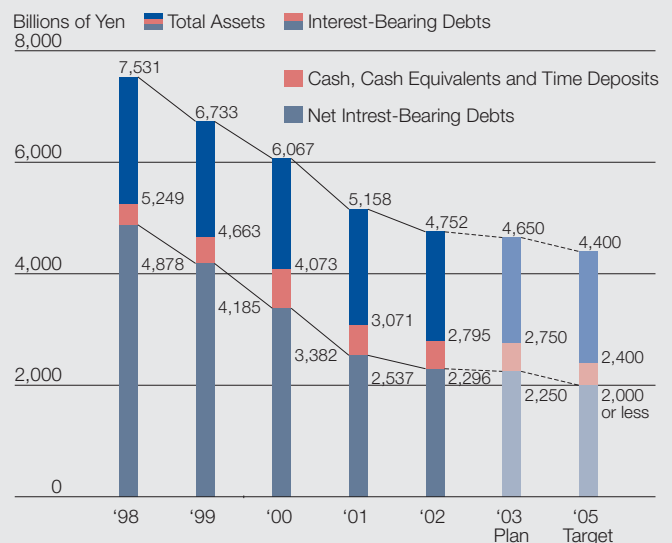
In fiscal year 2002, net income from consolidated subsidiaries and affiliates including overseas trading subsidiaries significantly decreased from ¥51.6 billion in the previous fiscal year to ¥35.4 billion, due to slump of the U.S. trading subsidiary. However, excluding overseas trading subsidiaries, net income increased by ¥8.6 billion from ¥23.1 billion in the previous fiscal year to ¥31.7 billion, net of ¥53.3 billion in profit from profitable companies and a ¥21.6 billion loss from unprofitable companies. The number of profitable companies increased by 2.7 percentage points to 76.2%, and the total number of consolidated companies decreased by 69 to 671, comprised of 491 subsidiaries and 180 associated companies, as of March 2002.

Although streamlining of unprofitable companies has steadily progressed, profit from profitable companies still remains at about ¥50 billion to ¥55 billion. To achieve ¥65 billion to ¥70 billion of net income from consolidated subsidiaries and affiliates in fiscal year 2005, the Company needs to expand profit from profitable companies to ¥80 billion. Therefore, the Company positions profitable companies, which are strategically important and individually contribute over ¥1 billion in profits, as “core” companies. We intensively strengthen them to expand overall profitability. In addition, the Company will reduce expenses on a consolidated basis with a flexible cost structure that reflects the profit of each subsidiary and affiliate.

3) Improvement of Consolidated Financial Position

We successfully reinforced our consolidated financial position by reducing consolidated total assets and interest-bearing debts, and increasing consolidated stockholders' equity.

Total Assets and Interest-Bearing Debts



* As of March 31

4) Promotion of Overseas Regional and Market Strategies

The Company positions North America and Asia as A&P areas. In North America, due to the unpredictable economic slowdown, the Company could not expand the existing businesses or develop new business as scheduled for fiscal year 2002. In Asia, the Company elaborated on key measures to expand profit in the region at the *Asian Strategic Committee*. In fiscal year 2003, the Company will formulate and implement action plans in North America to reorganize the profit structure of the region, and in Asia, it will expand local and regional trading and promote new investment projects. Particularly in China, a promising market and a new WTO member, the Company will continue to expand business mainly in textiles, foods, chemicals and distribution by utilizing its many years of expertise. By implementing region- and market-specific strategies in A&P areas and other geographic areas, the Company aims to increase net income from overseas trading subsidiaries to ¥8 billion in fiscal year 2003 from ¥3.7 billion in fiscal year 2002, which significantly decreased from ¥28.5 billion in fiscal year 2001 mainly due to sales of U.S. leasing subsidiaries.

Building Management Structure to Support a New ITOCHU Group—“Reorganization of the Management System”

1) Reinforcement of Corporate Governance

The Company proactively works to reinforce corporate governance with the basic policy that “ITOCHU establishes a management system which provides benefits to stakeholders, including stockholders, by enhancing transparency in its decision-making process, corporate information disclosure and management accountability, and full-scale risk management, including compliance with laws and regulations.” (See page 30 for details.)

2) Reorganization of Corporate Structure

In A&P-2002, the Company is aggressively implementing a Division Company Structure. In fiscal year 2002, at the Division Company level, we reinforced a decision-making system and improved management techniques through company-wide use of RCM (Risk Capital Management), to establish autonomous management in each Division Company.

3) Highly Advanced Risk Management

The Company introduced RCM, a risk management method based on RAROC (Risk-Adjusted Return On Capital), to achieve sophisticated risk management. To promote company-wide use of RCM, in fiscal year 2002, the Company implemented in-house RCM training domestically and overseas, and utilized RCM

for analysis at the *A&P Strategic Committee*. In addition, the Company is reducing total risk assets at a pace exceeding the original schedule.

(Notes)

Risk Assets = Asset book value x Risk weight for each asset

Each asset is assigned its own risk weight in accordance with its attributes; the consolidated total risk volume of the entire Group are to be identified and controlled.

Risk Return Index (RRI) = Net income ÷ Risk assets

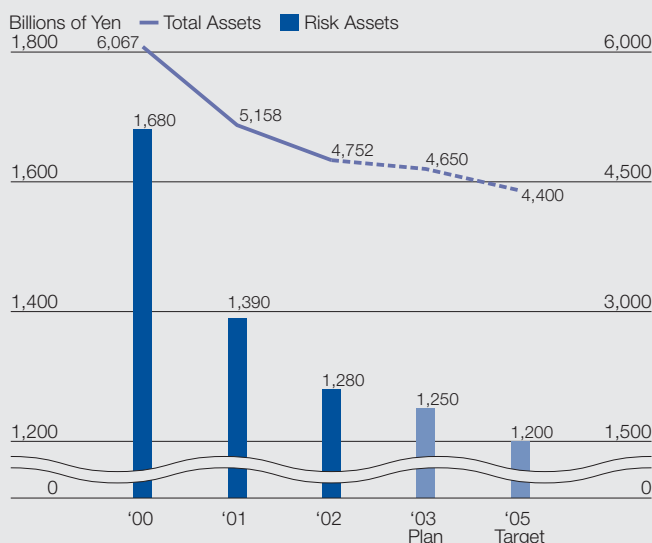
The RRI is used to measure the efficiency of income generated by using cost of equity as the external absolute standard. Cost of equity is currently set at 8%.

4) Human Resource Strategy

To make subsidiaries and overseas operations a core part of ITOCHU’s group profit structure, the Company is actively allocating human resources to these subsidiaries and overseas offices.

In addition to improving a human resource development program, the Company will formulate action plans to determine where to allocate human resources among domestic and overseas subsidiaries. Also, in fiscal year 2002, the Company started a program overseas to train promising local staff for management positions, in addition to the Asian Leadership Program we initiated in fiscal year 2001.

Consolidated Assets and Risk Assets



* As of March 31

Overview of A&P Segments and Regions

Definition of A&P Segments and Regions

The *Attractive & Powerful (A&P)* segments refers to those segments and regions in which ITOCHU has *Powerful* capabilities corresponding to top class companies and in which ITOCHU can offer *Attractive* services and products to customers. In short, they are the segments that enable ITOCHU to realize high profitability and growth in the mid-to long terms.

Selection Criteria for A&P Segments and Regions

In addition to the above definition, numerical results (RRI, ROA, and net income earned from the segments), reliability to achieve numerical goals, and growth potential are comprehensively examined to select new *A&P* segments and regions. As a result of this selection process, in fiscal year 2003, metals and mineral resources development and Asia were newly added to existing *A&P* segments and areas: information and multimedia; consumer and retail related; natural resource development; financial services; and North America. Since metals and mineral resources development is included in the natural resource development segment, currently the Company has four *A&P* segments and two *A&P* regions.

Focuses of A&P Segments and Regions

Information and multimedia:	Enhance the profitability of our total solution providing business in IT, mobile and contents, and broadband businesses through powerful group companies, including ITOCHU Techno-Science Corporation, CRC Solutions Corporation and Space Shower Networks, Inc.
Consumer and retail related:	Enhance the profitability of our retail business. Expand the brand portfolio of our textile business, including non-clothing products. Strengthen SIS (Strategic Integrated System) strategy in the food business, integrating from raw material procurement to retailing.
Natural resource development:	Reinforce energy resource development such as equity-based crude oil and LNG; metals and mineral resources development such as iron ore and coal.
Financial services:	Reinforce foreign exchange dealings based on real demand of foreign currency, fee business such as fund structuring and its sales to institutional investors, and consumer finance in Japan and Hong Kong.
North America:	Reinforce local business in "Niche & Dominant" fields, such as leasing, power plant-related business, and sales of fences and other construction materials.
Asia:	Strengthen regional trade of chemicals and other products. Reinforce domestic sales of general merchandise and distribution business in China.

See page 10 and 11 for resource allocation and numerical goals of *A&P* segments or regions, respectively.

Message from the Division Company President



The Textile Company is engaged in a diverse range of business spanning from fashion products to materials used in high-tech products. We have consistently lead Japanese trading companies in the total volume of textile transactions.

The basic strategy of the Company is to reinforce its vertically integrated operations in the upstream, midstream and downstream levels of business—all aspects of business, from procurement of raw materials, production, distribution and finally to marketing of retail products. In order to strengthen its business in downstream areas leveraging its competitiveness in upstream business, we are focusing on reinforcing its retail and branding business and expanding sales in Asian markets, especially China.

Business Performance in Fiscal Year 2002

In our Company's consolidated results for fiscal year 2002, gross trading profit increased 2.7% to ¥83.5 billion due to the contribution of new consolidated subsidiaries, despite a decrease in trading transactions caused by decline in consumer price. Net income increased 15% to ¥8.3 billion due to a decrease in revaluation losses for investments, despite a decrease in trading income due to advanced expenses for future development and an increase in expenses by new consolidated subsidiaries.

What We Did in Fiscal Year 2002

In our retail business, the Textile Company focused on

expanding its brand portfolio by acquiring the trademark rights of *CONVERSE*, signing an exclusive long-term contract for the *LANVIN* brand products in Japan (see Topics) and by establishing *STRENESE JAPAN LTD.* to reinforce the retail sales of the *STRENESE Collection*. In addition to the clothing brands, the Company concluded an exclusive contract to import and market *TANINO CRISCI*, a top Italian shoe brand.

Also, the Company acquired *ORIZZONTI CO., LTD.*, a clothing manufacturer with original brands and 86 retail stores nationwide, from *WORLD CO. LTD.* In addition, the Company implemented a retail training program to develop the skills of its employees in this field.

As for Asia, which was recently added to *A&P* segments, the Company focused its resources to make a strategic move to expand domestic sales in China, as the country recently joined the WTO and increased its importance as a growing market (see Topics). Our business results in China in fiscal year 2002 are as follows; garment materials such as lining cloth and sewing thread achieved US\$15 million in sales, double the amount of the year before, due to reinforcement in local procurement and sales. Also, sales of uniforms reached US\$940,000, double the sales amount of last year, due to increase in demand.

In the fabrics field, in response to environmental problems, we developed Japanese paper yarn made from reed grown on the shores of Lake Biwa in Shiga Prefecture. This material was used to make the official bag of the International Conference on the Conservation and Management of Lakes held in Shiga Prefecture in November 2001. Bags, bedding fabrics, sweaters and other products will be developed from this material and merchandised.

What We Are Planning in Fiscal Year 2003

The Textile Company will continue to promote and reinforce retail sales, branded products and sales in the Chinese market, as the core of its *A&P* strategy.

In our retail business, we will follow a brand-based strategy by acquiring trademarks and expanding the scope of the brands we deal with. In China, in addition to investment in fabrics, we will actively promote offshore trade and domestic sales. In our existing business area, we will promote integrated transactions, from fabrics and textiles to final products, to maximize profit and to promote asset efficiency.

Makoto Kato
President, Textile Company

Topics

Enhance Business Growth of Lanvin Brand in Japan

ITOCHU signed a long-term comprehensive contract with haute couture maison, JEANNE LANVIN s.a. The contract gives the Company exclusive import, retail and licensing rights over the LANVIN brand in the Japanese market. ITOCHU also invested in LANVIN, and, as a strategic partner in Japan, the Company will support global business growth of the brand.

Further sales growth in the Japanese market will be achieved through the synergy of first-line core items imported from Paris, the "LANVIN PARIS," and the second line, the "LANVIN COLLECTION" which is manufactured in Japan under license.

ITOCHU, in cooperation with LANVIN's French headquarters, will work on an active world-wide strategy, and plans to increase sales to a level of ¥45 billion in Japan by 2006.

Strengthen Business in China by Promoting Domestic Sales and Offshore Trade

In cooperation with NISSHINBO INDUSTRIES, INC., the Company started joint operations with two major textile companies in China. The Company invested ¥1 billion in total for two joint ventures, a knitting and dyeing company, NINGBO SUNRISE TEXTILE DYEING & FINISHING CO., LTD., with YOUNGOR GROUP CO., LTD., a top-class clothing company especially strong in shirts and suits, and a cotton spinning operation, NINGBO VEKEN TEXTILE CO., LTD., with NINGBO VEKEN GROUP CO., LTD.

Also, together with SHANSHAN GROUP CO., LTD. of China and FORALL CONFEZIONI S.P.A. of Italy, the Company established a manufacturing and sales company of middle range to top-class suits to enhance domestic sales of brand suits in China.

In addition, we integrated two group companies in Shanghai, the largest textile production and consumption area in China, and established a system to respond to a wide range of business development, covering exports to Japan, offshore trade to Europe and the U.S., and domestic sales in China.



"LANVIN PARIS 2002 AW" Collection



Exhibition and sales hall, and office building of YOUNGOR GROUP

Organization



Products & Services

- Raw cotton
- Cotton yarns
- Wool
- Woolen yarns
- Rayon staple
- Spun rayon yarns
- Rayon yarns
- Synthetic staple
- Synthetic filament
- Cotton fabrics
- Wool fabrics
- Silk fabrics
- Rayon fabrics
- Spun rayon fabrics
- Synthetic filament fabrics
- Knit fabrics
- Knit outer garments
- Knit under garments
- Woven outer garments
- Woven under garments
- Other garments
- Secondary textile products
- Imported sundries
- Bedding fabrics
- Interior fabrics
- Industrial fibers
- Inorganic fibers and related products

Message from the Division Company President



The Plant, Automobile & Industrial Machinery Company aims to establish a new profit foundation through positive inroads into new businesses such as privatization and deregulation, as well as proactive involvement in A&P segments, such as natural resource development, in coordination with other Division Companies.

Business Performance in Fiscal Year 2002

In our Company's consolidated results for fiscal year 2002, gross trading profit decreased 9.7% to ¥50.2 billion due to a relative decline in large plant project sales. Net income, however, significantly increased from a loss of ¥10 billion to ¥1.3 billion of income, due to a reduction of expenses and a decrease in provision for doubtful accounts.

What We Did in Fiscal Year 2002

In the Plant & Project Division, we moved into natural resource development and related transportation, making use of our Company's strong background in region-specific know-how and its global customer network. In India, for example, we were successfully awarded a ¥25 billion subway tunnel construction project. We were also awarded various shipbuilding projects by multiple European clients worth ¥20 billion. We proactively took advantage of opportunities involving privatization and deregulation. For example, to meet the needs of alternative electric power sources resulting from deregulation in Japan, we started an onsite power generation business through ITOCHU Energy Solution Co., Ltd. to provide supermarkets and convenience stores

with electric power and hot water through co-generation applications. This business is recognized for its benefit to energy conservation and environmental protection.

In the Industrial Machinery Division, our domestic business has been affected by the overall sales slowdown due to lower capital spending. In spite of that, the food processing and plastic processing machinery business, utilizing our engineering expertise, recorded a 23.5% increase in sales. On the export business side, a 25% increase in our overseas project business, mainly from project orders received from Mongolia and Vietnam, made up for the slump in IT-related equipment sales due to a worldwide IT recession.

In our Automobile Division, restructuring of non-core and unprofitable businesses have almost been completed and we are concentrating our resources on improving and expanding businesses in strategic regions and business fields, especially in finance, retail and logistics for automobiles and parts. We are also stressing the importance of becoming a service provider in the total car life field.

In November 2001, with cooperation of the Business Function Integration Department, ITOCHU International Inc., a trading subsidiary in the U.S., acquired North American Energy Services Company Inc. (NAES). This is ITOCHU's first initiative in the electric power generation business in North America.

What We Are Planning in Fiscal Year 2003

We will continue to create new businesses beyond our conventional scope of business, with the Business Function Integration Department, established in 2000, as our main driving force. In addition to projects realized by cooperation with other Division Companies, such as weather derivatives and risk solutions for soil pollution, we will develop new businesses in natural resource development and related transportation, privatization and deregulation, automobile-related services and other areas. Regarding our existing trading business, we will ensure basic profitability through enhancing efficiency, continuing to downsize and eliminate low-profit operations. In a joint venture project for LPG production, export and sales in Indonesia, which was concluded in April 2002, we will provide our strong know-how in financing and infrastructure including offshore storage and shipment facilities as a project organizer.

Mitsuaki Fukuda
President, Plant, Automobile &
Industrial Machinery Company

Topics

Completed Polypropylene Plant in Turkmenistan

As the leader of a consortium of Japanese trading companies, in cooperation with JGC Corporation, ITOCHU constructed a polypropylene plant with a yearly production capacity of 90,000 tons at a petrochemical complex in Turkmenistan near the Caspian Sea. This project, which began in 1998 with financing from the Japan Bank for International Cooperation, was completed in October 2001 and the inauguration ceremony was held with attendance of President Saparmurat Niyazov.

This project, totaling ¥56 billion, including construction of supplemental facilities, was conducted in collaboration with the Chemicals, Forest Products & General Merchandise Company, and with support of regional offices in Ashgabat, the capital of Turkmenistan, Moscow and Baku, the capital of Azerbaijan. We successfully completed this big project, making use of our strength as a global trading company.



Polypropylene plant in Turkmenistan

Obtained Contract for Tunnel Mechanical System in Vietnam

ITOCHU and Matsushita Electric Industrial Co., Ltd. received a contract for a tunnel mechanical system for the Hai Van Tunnel construction project, implemented by the government of Vietnam with financial assistance in a Yen Credit by Japanese government. The tunnel mechanical system mainly comprises electrostatic precipitators, supply/exhaust fans, ventilation controllers and water treatment units, totaling approximately ¥2.6 billion. The main ventilation equipment is manufactured by Matsushita Seiko Co., Ltd., a subsidiary of Matsushita Electric.

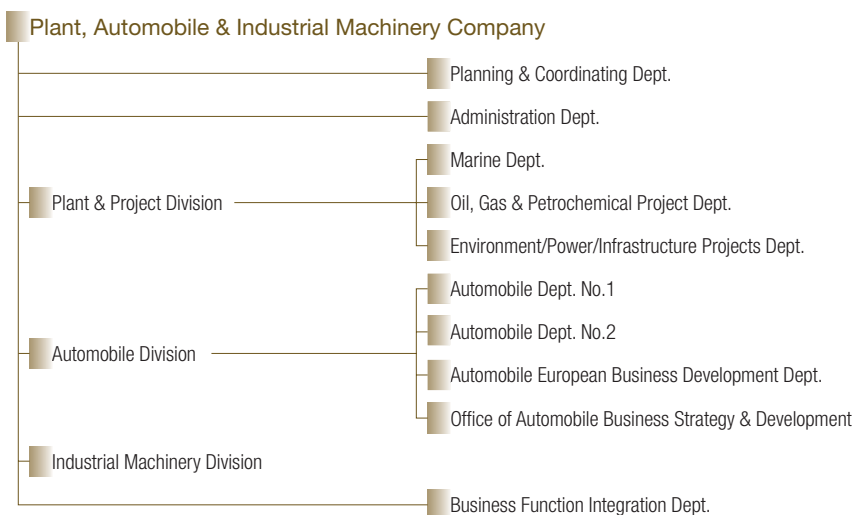
Hai Van Tunnel (6.3 km) runs through Hai Van Pass of Vietnamese National Highway No.1. At the tunnel's completion in 2004, the tunnel will link northern and southern Vietnam, facilitating trans-national traffic and helping to enhance economic development in Vietnam.

This success in competitive bidding was due to Matsushita's system design, which places priority on environmental preservation measures and safety, coupled with ITOCHU's long experience in overseas projects.



Schematic of tunnel system in Vietnam

Organization



Products & Services

- Civil engineering
- Construction
- Mining and related materials handling machinery
- Agricultural machinery
- Metalworking and processing machinery and plant
- Forging machinery
- Textile machinery
- Semiconductor-related equipment
- Electronic device and equipment
- Plastic manufacturing equipment
- Automobile parts manufacturing plant
- Plant related to the iron and steel industry
- Desalination plant
- Cement plant
- Food machinery
- Grain silos
- Hospital equipment
- Medical device
- Oil, gas and petrochemical plants
- Passenger vehicles
- Commercial vehicles
- Automobile parts and equipment
- Special-purpose vehicles
- Rolling stock
- Ships
- Power generating equipment
- Environment-related equipment

Aerospace, Electronics & Multimedia Company

Message from the Division Company President



The Aerospace, Electronics & Multimedia Company aims to strengthen the profit base of its existing A&P sectors—networks, mobile systems and contents business. In addition, we are aggressively looking for new opportunities with innovative and growing technology, such as broadband and bioinformatics business fields. In the aerospace sector, we are engaged in aircraft leasing and various aerospace trade businesses, with emphasis on developing strong business relationships with the U.S. aerospace industry.

Business Performance in Fiscal Year 2002

In our Company's consolidated results for fiscal year 2002, gross trading profit increased by ¥2.1 billion to ¥112.6 billion, due to an increase in domestic IT-related sector sales. Net income of ¥36.3 billion was posted, due to increased investments in domestic IT-related sectors, in addition to decrease in profit on sales of investments.

What We Did in Fiscal Year 2002

In the network-related field, ITOCHU Techno-Science Corporation (CTC), CRC Solutions Corp. (formerly the CRC Research Institute, Inc.), and Info Avenue Corporation have been the three core companies reinforcing our comprehensive IT Solution Providing Businesses, ranging from consulting for the introduction of IT-related systems, systems integration, maintenance and operation. In addition, the Company became the top shareholder of Excite Japan Co., Ltd., a major Internet portal site, aiming to reinforce its e-business utilizing the Excite brand (see Topics).

Applying our expertise in IT business to biotechnology, the Company established the

Bioinformatics Center in Osaka in April 2002. This center provides major pharmaceutical companies with the data analysis and administration services required to develop new genome drugs, which represents our first step into future full-scale bioinformatics business.

In response to the growing attention to cyberterrorism, the Company has expanded into the IT security business with comprehensive Japanese language cyber-security information services under license agreement from U.S.-based iDEFENSE Inc.

In broadband telecommunications, the Company is promoting its

access network business with a special focus on high-speed and large-volume fiber-optic infrastructure. Also, the Company acquired Broadband Gateway Inc. by increasing its stake to 80%. Utilizing this acquisition as a stepping stone, ITOCHU aims to offer a comprehensive broadband content distribution solution, providing digitalization of video contents, hosting, distribution, billing and settlement.

In the media sector, stock of SPACE SHOWER NETWORKS INC., a company in which ITOCHU has a major stake, was listed on the JASDAQ (formerly the Over-the-Counter) market.

What We Are Planning in Fiscal Year 2003

In addition to enhancing efficiency and profitability of existing businesses, we will accelerate new business development.

We will promote our existing business, including IT solution services, e-business focusing on Excite, as well as mobile and content business by maximizing Group synergy. We will also focus on the aerospace field with emphasis on developing business relationships with the U.S. aerospace industry.

In new business, we will intensively allocate our resources to bioinformatics and broadband businesses.

Akira Yokota
President, Aerospace, Electronics &
Multimedia Company

Topics

Expanding e-business by Becoming the Top Shareholder of Excite Japan Co., Ltd.

In February 2002, ITOCHU acquired shares of Excite Japan Co., Ltd., a major internet portal site, from Excite@Home, Inc. in the U.S., and became the top shareholder with the rights to the *Excite* brand for Japan.

An Internet portal site is the first site most Internet users see when they access the Internet to search and access information and services. Utilizing this function, *Excite* Japan enables ITOCHU to increase the number of users of its online services via web links from the *Excite* portal, and to launch new Internet business with the *Excite* brand. ITOCHU aims to expand its e-business leveraging *Excite* as its core.

Nationwide Launch of *Cmode* Linking Coca-Cola Vending Machines and NTT DoCoMo's *i-mode*

In September 2001, in cooperation with Coca-Cola (Japan) Co., Ltd. and NTT DoCoMo, Inc, ITOCHU reached an agreement to launch *Cmode*, a unique, member-based, nationwide consumer service, with a successful trial in a major shopping area of Tokyo.

Cmode enables its members to transfer cash into electronic money via Coca-Cola's softdrink vending machines to purchase a variety of contents and to make payments through *i-mode*, NTT DoCoMo's Internet-enabling mobile phone system.

Cmode, which links vending machines and mobile phones, both prevailing types of infrastructure in Japan, is expected to be even more popular than traditional pre-paid cards. The number of vending machines designed to enable *Cmode* service will be increased to 2,000 within 2002. ITOCHU will develop partnerships with companies providing various contents for this service.

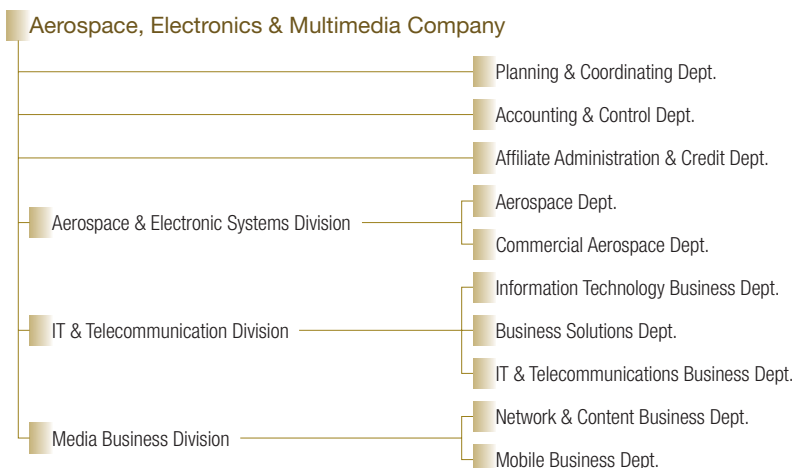


Excite portal site



Cmode vending machine

Organization



Products & Services

- Broadcasting and communication business
- Electronics Systems
- Equipment for broadcasting and communication systems
- Programing supply and entertainment business
- Mobile telecommunication equipment and services
- Systems and related equipment for computer and information processing
- Semiconductor equipment
- Aircraft and in-flight equipment
- Air Transportation Management Systems
- Space-related equipment
- Security equipment

Message from the Division Company President



The Energy, Metals & Minerals Company's business ranges from planning and participating in natural resource development projects to trading and offering natural resource products. We especially focus on energy and mineral resources with growth potential such as LNG, natural gas, crude oil, iron ore, coal and aluminum. Recently, the focus of our business has been shifting from importing and distributing these products to equity holding of development projects and related trade. As part of this, in fiscal year 2002, the metals and mineral resources development sector was added to our A&P segments with the same degree of importance as energy resource development, an original A&P segment.

Business Performance in Fiscal Year 2002

In our Company's consolidated results for fiscal year 2002, gross trading profit decreased 22% to ¥52.7 billion due to a decrease in energy transactions caused by the U.S. terrorist attacks and transferring steel operations to Marubeni-Itochu Steel Inc. Net income, however, significantly increased 39% to ¥9.5 billion due to steady growth of overseas natural resources-related affiliates.

What We Did in Fiscal Year 2002

In energy resource development, the Sakhalin-I oil and gas development project, one of this Company's most important projects, concluded a feasibility study and started work on a crude oil development (see Topics).

Offshore oil field development in Azerbaijan also progressed at a satisfactory pace.

In mineral resource development, ITOCHU made investments in resource development, for example, we acquired a 20% interest in an Indonesian coal project and increased shares in Australian Worsley alumina project (see Topics).

In the trading sector, we established a worldwide network, including Europe, the U.S., Asia and Japan by strengthening alliances with Chemoil Corp. and Galaxy Energy Group Ltd. The companies will be a stronghold in providing the European market with ITOCHU-developed crude oil from Azerbaijan and North Sea oil fields, and in trading products in African markets.

We are enhancing the competitiveness of our Japan domestic distribution by taking advantage of our strong supply and distribution network centered on ITOCHU ENEX CO., LTD. and also expanding our customer base even with companies outside of the ITOCHU Group.

We are developing new businesses concerning environmental conservation, including recycling of vending machine and home appliances, and development of DME (dimethyl ether) as a new type of fuel.

In the steel products business, ITOCHU transferred its operations to Marubeni-Itochu Steel Inc. established in October 2001. This company has favorably started with solid profits, mainly due to offshore transactions of steel pipe products.

What We Are Planning in Fiscal Year 2003

We will continue to enhance profitability by promoting natural resource development and global trading operations. In energy resource development, we will focus on increasing our interests in LNG projects in Qatar and Oman, as well as crude oil development in the Sakhalin-I project. In addition, we will participate in pipeline construction for Azerbaijan oil field projects and establish supply routes to Europe and the U.S. to maximize project profitability. Also, we will promote new development projects such as an LNG project in Iran, and also seek alliances with overseas partners in energy trading. In mineral resource development, we are focusing on iron ore and coal. We will stabilize profits through existing projects, and continue to promote new profitable projects.

Hiroshi Sumie
President, Energy, Metals & Minerals Company

Topics

The Sakhalin-I Oil and Gas Development Project Initiated Development

The Sakhalin-I oil and gas development project concluded a feasibility study, including geological and oil reserve surveys, and initiated development in early 2002. ITOCHU is the top private-sector shareholder of Sakhalin Oil and Gas Development Co., Ltd. which is the major participant in the project.

The project will explore and develop oil and natural gas in the northeast sea area of Russia's Sakhalin Island. Available crude oil reserves are estimated at 2.3 billion barrels (approximately 300 million tons) and that of natural gas are 17,000 billion cubic feet (approximately 500 billion cubic meters).

In the first phase of development, oil production will begin at the end of 2005, with a rate of 250,000 barrels per day when the operation stabilizes. In the second phase, natural gas development will begin and gas will be imported to Japan via Japan's first international pipeline linking Russia's Sakhalin Island with Japan.

Increased Interests in Australian Worsley Alumina Project

In January 2002, ITOCHU acquired 10% of the shares of Kobe Alumina Associates (Australia) Pty Ltd. (KAA), an investment company of the Australian Worsley Alumina project, and increased our shares to 35%.

Alumina is the raw material of aluminum, refined from bauxite. The project involves a vast bauxite mining area and world's top alumina refinery in Western Australia, enabling integrated resource development and processing. Aluminum is widely used for various products such as beverage cans and construction materials, including aluminum sash. Its applications are expanding in new areas, such as the automobile industry, due to its light weight. Demand for aluminum is expected to significantly expand. ITOCHU is increasing its overall aluminum-related business by securing the most upstream aluminum resources to increase transactions of aluminum products downstream.



Oil field development platform in Sakhalin



Alumina refinery in Western Australia

Organization



Products & Services

- Iron ore
- Direct reduced iron
- Coking coal
- Coke
- Thermal coal
- Ferro alloy and its materials
- Ferrous scrap
- Pig iron
- Metal powder
- Electrodes
- Activated carbon
- Steel plates
- Hot & cold rolled sheets and coils
- Galvanized steel
- Steel for machinery
- Stainless steel
- High tensile steel
- Special steel
- Construction materials
- Welded steel pipes
- Seamless steel pipes
- Steel wires
- Marine steel structures
- Bridges
- Prefabricated steel for buildings
- Rails
- Non-ferrous metals
- Aluminum products
- Precious metals
- Rare metals
- Aluminum
- Alumina
- Rolled aluminum products
- Molded aluminum
- Electric cable
- Optical cable
- Electronic material
- Crude oil
- Natural gas liquid
- Gasoline
- Naphtha
- Kerosene
- Jet fuel
- Gas oil
- Fuel oil
- Marine fuel
- Lubricant
- Asphalt
- Liquefied petroleum gas
- Liquefied natural gas
- Dimethyl ether
- Nuclear fuel and Nuclear power related equipment

Message from the Division Company President



The Chemicals, Forest Products & General Merchandise Company focuses on pulp and paper, chemicals, housing materials, and tires. Our basic strategy is to expand our retail business, reinforce overseas production and sales and form alliances with other companies.

Business Performance in Fiscal Year 2002

In our Company's consolidated results for fiscal year 2002, gross trading profit decreased 2.1% to ¥80.7 billion due to a decline in the market of basic chemicals and synthetic resins, as well as a decline in the profit margin of lumber and paper & pulp, despite positive effects from new consolidated subsidiaries. In addition, an increase in expenses of subsidiaries and the revaluation losses for investments caused a decrease in net income from ¥2.4 billion to ¥0.2 billion in loss.

What We Did in Fiscal Year 2002

In the pulp and paper field, ITOCHU increased its stake in Japan Brazil Paper and Pulp Resources Development Co., Ltd., a parent company of Celulose Nipo-Brasileira S.A. (CENIBRA) which promotes the forestry and pulp manufacturing business in Brazil. CENIBRA is considered to be one of the most

important projects for us to be a top-level global pulp trader, since its products are the most cost competitive (see Topics).

In the housing materials field, we reinforced our retail business by leveraging our Do-it-Yourself (DIY) store business. In April 2001, ITOCHU acquired a DIY store company, Hearts Maruhara, followed by the acquisition of five stores of Beaver Tozan Corporation (see Topics).

In the chemicals field, we expanded production capacity of our resin processing business to take advantage of the growing market of Asia and China. Shanghai Riken Technos Corp., established in August 2001, manufactures polyvinyl chloride covering materials for electric wires for the automotive, consumer electronics, and IT device industries. Shanghai Jinpu Plastic Packaging Material Co., Ltd., manufacturing plastic packaging materials since its establishment in 1994, expanded the facilities to double its production capacity from 14,000 tons to 28,000 tons, to meet growing demands in east China.

What We Are Planning in Fiscal Year 2003

In the pulp and paper business, we will build a comprehensive system from plantation to pulp manufacturing and distribution, with a focus on the CENIBRA project. We aim to establish a global sales network by further strengthening our existing sales operations system in Asia, and by promoting new marketing activities in North America and Europe.

In the chemicals business, we will continue to concentrate on the strategically important markets of Asia, especially China. We will continue to enhance processing, composition and other manufacturing capabilities. Also, we will expand trade of commodity resins and raw materials for synthetic fibers in which we have advantages, by expanding our trade network and enhancing logistics function and sales. We will also be proactive in creating alliances with other companies.

In our tire retailing business, we will expand our sales network through M&A activities, through our overseas subsidiaries, such as Am-Pac Tire Distributors Inc. in the U.S. and Stapleton's (Tyre Services) Limited. and Reifen Gundlach GmbH in Europe.

In the housing materials business, we will promote an alliance with DAIKEN Corporation, a housing material manufacturer in which we are the top shareholder.

Motonori Toyota
President, Chemicals, Forest Products &
General Merchandise Company

Topics

The CENIBRA Project

Japan Brazil Paper and Pulp Resources Development Co., Ltd. (JBP), composed of ITOCHU and major Japanese pulp manufacturing companies, established CENIBRA in 1973, jointly with Companhia Vale do Rio Doce of Brazil, to promote plantation and pulp manufacturing in Brazil. In October 2001, ITOCHU increased its stake in JBP to about 26%, with a ¥12.4 billion investment when JBP increased its stake in CENIBRA to 100%. As a result, ITOCHU has become JBP's second largest shareholder next to Oji Paper Co., Ltd.

CENIBRA owns a plantation with 120,000 Ha. of sustainable hardwood and a capacity to produce 820,000 tons of pulp annually. This is an important project to maintain prominent forest resources, and to contribute to ITOCHU's worldwide sales strategy.



Hardwood plantation in Brazil

Reinforcing Retail Business through Acquiring DIY Stores

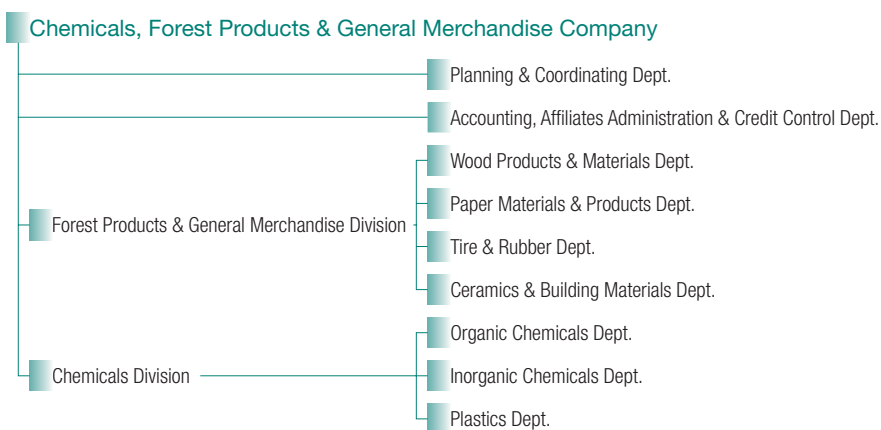
In April 2001, ITOCHU and ODAKYU Electric Railway Co., Ltd. jointly acquired five Beaver Tozan DIY stores located along a railroad of ODAKYU. ITOCHU expects sales of ¥12 billion by 2006 through these DIY stores, by offering housing-related products and solutions newly introduced to Japan. In addition, ITOCHU will collaborate with ODAKYU in a wide range of business development such as house reform and e-business utilizing railway stations as infrastructure.

ITOCHU will promote product development using its overseas network and cost reduction using its IT expertise at its DIY store business in the Tokyo Metropolitan area and the northeastern part of Japan, and achieve ¥100 billion sales target for the whole ITOCHU Group.



Beaver Tozan DIY store in Atsugi City

Organization



Products & Services

- Logs
- Lumber
- Wooden building materials
- Wood chips
- Wood pulp
- Recycled paper
- Paper
- Paper products
- Natural rubber
- Tires
- Furniture
- Shoes
- Glass
- Cement
- Olefin
- Aromatics
- Raw materials for synthetic resins
- Raw materials for synthetic fibers
- Organic chemicals
- Methanol
- Ethanol
- Solvents
- Specialty chemicals
- Inorganic chemicals
- Chemical fertilizers
- Vinyl chloride
- Polyolefin
- Synthetic rubbers
- Carbon black
- Thermoplastic and thermosetting resins
- Resin additives



The Food Company integrates all the areas of upstream, midstream and downstream businesses in Japan and abroad, ranging from raw material procurement, food and beverage production and processing, intermediary distribution and retailing. We develop our business based on a highly sophisticated supply chain management system called SIS (Strategic Integrated System).

Business Performance in Fiscal Year 2002

In our Company's consolidated results for fiscal year 2002, trading transactions increased, due to steady growth in convenience stores and food-services sectors, despite stagnant consumption and a slack market. However, gross trading profit slightly decreased 0.4% to ¥126.9 billion due to a decrease in food materials and livestock products. Net income increased 17.3% to ¥9.6 billion due to improved trading income with a decrease in provision for doubtful accounts, in addition to profit on sales of investments.

What We Did in Fiscal Year 2002

We have intensively allocated our resources to the areas of food materials and retailing. In addition, in fiscal year 2002, we reinforced intermediary distribution, the backbone of SIS, to ensure our success in integration.

In September 2001, the Company made a 10%

investment, amounting to ¥3,930 million, to YUKIJIRUSHI ACCESS, INC. which ranked number two among processed food wholesalers and number one in domestic transactions of frozen and chilled foods. We aim to build a more efficient distribution network by strengthening our partnership with YUKIJIRUSHI ACCESS.

In October 2001, the Company established I-FOODS Co., Ltd. to expand ITOCHU's domestic sales base and reinforce its overseas procurement base, giving this new company a comprehensive role in food material transactions.

Also in October 2001, the Company reorganized the functions of two group companies, Nishino Trading Co., Ltd. and Family Corporation Inc., integrating

a sales role into Nishino Trading Co. and a distribution role into Family Corporation Inc. This reorganization will result in improved cost efficiencies, lowering distribution costs.

In March 2002, the Company announced that it was considering a business tie-up with Snow Brand Milk Products Co., Ltd. The Company will continue to examine details of this joint business opportunity, including a possible capital increase in YUKIJIRUSHI ACCESS.

What We Are Planning in Fiscal Year 2003

By leveraging these accomplishments at the intermediary distribution level, we will boost our retailing business with customized services and our food material business with more efficient procurement and increased transactions.

ITOCHU aims to be the leading company in the food industry by continuing to fully implement our SIS strategy and by strengthening the overall competitiveness of the ITOCHU Group from upstream to downstream.

Kouhei Watanabe
President, Food Company

Topics

IPO of Taiwan FamilyMart Co., Ltd. in OTC Market in Taiwan

In February 25, 2002, the stock of Taiwan FamilyMart Co., Ltd., a subsidiary of FamilyMart and in which ITOCHU has a stake, was offered in the Over-the-Counter (OTC) market in Taiwan. Established in 1988, Taiwan FamilyMart operates 1,200 convenience stores. ITOCHU and FamilyMart Co.,Ltd. hold a 48% stake in Taiwan FamilyMart in total.

This is the first IPO among the overseas affiliated companies of a Japanese convenience store chain. As a part of FamilyMart's strategy to expand its business in Asia, Taiwan FamilyMart will further develop its business by expanding the number of its stores.

Tie-up with Compass Group, the World's Largest Enterprise in the Industrial Catering Market

In April 2001, Gardner Merchant Japan, a group company of ITOCHU, received capital funding from Compass Group of the U.K. and changed its name to Compass Group Japan Ltd. The company aims to become a major player in the domestic industrial catering market.

Compass Group, with headquarters in the U.K., is the world's largest industrial catering company with sales in fiscal year 2001 of ¥1.7 trillion. Compass Group, with 360 thousand employees working at 35,000 locations in 97 countries, serves over 10 million meals each day. Through the expansion of its industrial catering operations resulting from the tie-up, ITOCHU will gain a significant foothold in the healthcare industry, an area that is expected to grow enormously in the years to come. ITOCHU will also expand its food materials business, including distribution routes and give serious consideration to participating in Compass Group's worldwide industrial catering and healthcare operations particularly in Asia.



A FamilyMart store in Taiwan



Cafeteria at the Salt Lake City Olympics, for which Compass Group exclusively received an order

Organization



Products & Services

- Wheat
- Barley
- Wheat flour
- Rice
- Vegetable oils
- Soybeans
- Corn
- Sweeteners
- Dairy products
- Coffee
- Liquor
- Soft drinks
- Livestock products
- Marine products
- Fruits and vegetables
- Processed food
- Frozen foods
- Canned foods
- Consulting services for food business

Message from the Division Company President



The Finance, Realty, Insurance & Logistics Services Company is responsible for strengthening ITOCHU's financial services, an A&P segment. We reinforce our earning power by focusing on consumer finance and other financial services, as well as foreign exchange dealings and other financial operations. Also, we develop new business for the company, including securitization and PFI (Private Finance Initiative) in the realty sector, product development and retailing in the insurance sector, and 3PL (3rd Party Logistics) and other advanced services in the logistics sector.

Business Performance in Fiscal Year 2002

In our Company's consolidated results for fiscal year 2002, gross trading profit increased 50.6% to ¥34.4 billion, due to favorable sales for condominiums and absence of devaluation and disposal losses of realty for sales that occurred in the previous fiscal year. Net loss improved from ¥40.9 billion to ¥9.8 billion, due to considerably increased trading income with a decrease in provision for doubtful accounts.

What We Did in Fiscal Year 2002

In the financial field, we reinforced our consumer finance business. We launched a credit card business together with FamilyMart Co.,Ltd. and JCB Co., Ltd. (see Topics), and acquired a 25% stake in WIDE Corporation to further promote our unsecured personal loans business. In addition, we have been preparing to establish a PEF (Private Equity Fund) to enter full scale into the private equity business.

In the realty field, we organized a new type of

securitization program for project development, in which we offered a securitization program to finance the development of a commercial building on publicly-owned land in the Minatomirai area of Yokohama. This is the first project of its kind for a commercial building development on publicly-owned land (see Topics).

In the insurance field, we developed and provided custom-made insurance products meeting specific customer needs. Particularly in IT insurance, we launched an IT insurance service incorporating *eAuditor*, an innovative risk evaluation system. *eAuditor* provides a fair price for insurance premiums by reducing computer system risk through analysis of information systems and consulting services. The Company provides *eAuditor* in collaboration with Deloitte & Tohmatsu

Consulting, Ltd. and Info Avenue Corporation, a subsidiary.

In the logistics field, we established World Gateway, Inc., which provides electronic solutions to facilitate the complexity of international trading procedures. Also, we developed a 3PL operation model for pharmaceutical products, by combining many years of expertise in logistics of the retail business with industry-specific systems such as a production lot management system. Several pharmaceutical companies have already used our services for their logistics operations through our two domestic distribution centers specializing in pharmaceutical products.

What We Are Planning in Fiscal Year 2003

In the financial field, we will focus on the consumer finance business with our credit card business as its core instrument. Also, we will promote the private equity business through structuring PEFs. In the insurance sector, we will strengthen new product sales by establishing a global sales network. We are considering acquiring domestic and overseas insurance agencies and insurance companies. In the logistics area, we will further promote comprehensive logistics services with 3PL techniques in pharmaceutical products, apparel, foods and other areas.

Hiroshi Ueda
President, Finance, Realty, Insurance &
Logistics Services Company

Topics

Launched New Financial Services Leveraging FamilyMart Co., Ltd. Channel

In Spring of 2002, ITOCHU, in cooperation with FamilyMart Co., Ltd. and JCB Co., Ltd., established Famima Credit Corporation. This is the first inroad into the credit card business for a convenience store chain. The credit card allows members to make purchases at the 5,800 FamilyMart's convenience stores nationwide and the over 9 million JCB member stores worldwide. In addition, card holders will have access to cashing service through ATMs installed at FamilyMart stores and settlement service without a bank account. Famima Credit aims to achieve one million card members by February 2005.

In April 2001, we started insurance sales through *famima.com*, a web site of FamilyMart. We are also preparing to offer compulsory motorbike liability insurance through in-store multimedia terminal machines, which will be installed at all FamilyMart stores by Autumn 2002.



Jupi Card

Securitization of Commercial Building at Minatomirai Area in Yokohama

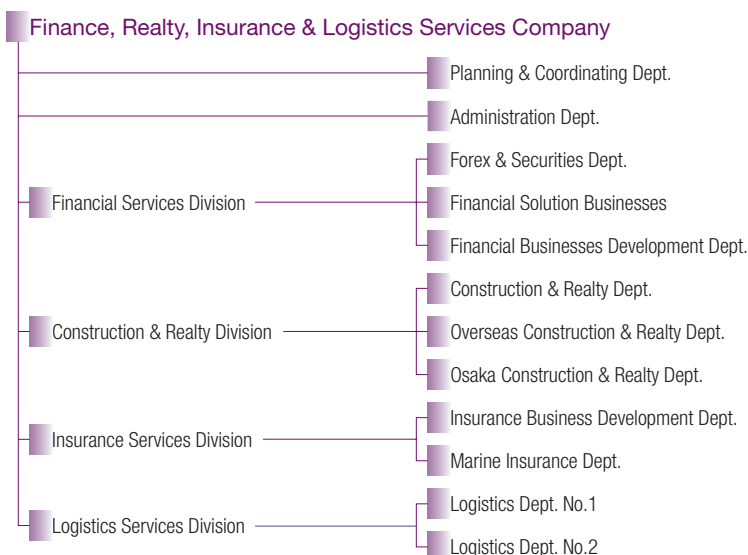
In Spring of 2002, ITOCHU and Cititrust and Banking Corporation started a joint project to develop, construct, and operate a commercial building in the Minatomirai 21 area in Yokohama, utilizing a securitization program for development of leased publicly-owned land.

"Yokohama Design Center," a special-purpose company (SPC) in charge of development and operation of this project, will lease 5,500m² land from Yokohama City, and construct a commercial building to be leased to tenants such as Otsuka Kagu, Ltd. and the Tokyo Electric Power Company, Incorporated. ITOCHU acquired a part of SPC's equity, and will play the roles of project manager during the development stage and asset manager after completion of construction in March 2004. ITOCHU will maximize the value of this project by providing consistent services, ranging from financing by securitization to allocation and management of the fund and property management.



Commercial building in Yokohama

Organization



Products & Services

- Foreign exchange and securities trading
- Securities investment
- Asset management for financial products
- Loan business
- Online stock broking
- Other financial services
- Planning, developing, consulting, brokering, constructing, managing, operating, selling facilities and materials for residential housing, office buildings, golf courses, industrial parks, hotels, and shopping malls
- Insurance agency
- Broking of insurance and reinsurance
- Consulting of insurance and reinsurance
- Warehousing and trucking
- Logistics centers
- Ship chartering business
- International intermodal transport
- Air cargo
- Freight forwarding
- Travel services
- Distribution processing
- Harbor transport business

Headquarters

Corporate Planning, Finance, Accounting & Credit



Strategies

In fiscal year 2002, the Company further advanced the functions of ITOCHU Management Consulting Co., Ltd., specializing in the functions of a research institute for overseas development and politics and economics, and ITOCHU Shared Management Services, Inc., specializing in some partial functions of the finance and accounting divisions. These two companies, which were spun off in April 2000, are currently considering providing non-group companies, in addition to ITOCHU, with services in the future. Furthermore, the Executive Vice President in charge of corporate planning, finance, accounting and credit, also assumes responsibility for the Innovative Technology Business Development Office and SI Retail Office, specializing in developing businesses that intersect the fields of various Division Companies. In addition to these flexible horizontal organizations, in April 2002, the Company established Strategic Business Development Department to enhance M&A strategy planning and other functions.

Currently we are focusing on reinforcing risk management as an important issue. The Company set a new management benchmark based on Risk Capital Management (RCM) and quantified the risk assets of the entire organization, while setting a long-term goal of reduction in risk assets to enable RCM to effectively work at ITOCHU. RCM is applied in planning and review of our A&P strategy, another important issue of the Company, to reduce inefficient assets and reorganize our profit structure.

To improve our management information, we integrated the basic operations of the entire organization in fiscal year 2002, by implementing SAP's ERP (Enterprise Resource Planning) package. In addition, the Company launched an electric management information library with access to qualitative and quantitative management information for top management and executives.

As the Company now actively promotes the policy of disclosure, quarterly financial statements have been publicly released since fiscal year 2001, first among Japanese general trading companies. Further disclosure is now being reviewed in order to improve management transparency.

In fiscal year 2003, the Company will further enhance corporate functions by setting flexible task forces working across each function, and establish the management system and infrastructure to support a new ITOCHU Group.

Sumitaka Fujita, Executive Vice President, C.F.O.

Contents of Operations

CFO and Executive Vice President Fujita is responsible for corporate planning, finance, accounting and credit. He leads six divisions, including the Corporate Planning & Administration, Corporate Communications, IT Planning, Finance, General Accounting Control, and Risk Management. He is responsible for: devising corporate, information system and financial strategies; financing; allocation of resources to Division Companies; budget planning and performance evaluations for the entire organization; planning and management of international and domestic offices; accounting functions, including settlement of accounts; risk management and public relations for the entire organization; IR; and credit rating.

Organization



Human Resources, Affiliate Administration, General Affairs & Legal



Strategies

In fiscal year 2002, we further promoted “Profit Sharing,” “Pay for Performance,” “Placing the Right People in the Right Jobs,” and “Education & Development,” the basic concepts of our functional responsibility-and-performance based personnel system initiated in April 1999.

For example, we introduced a personnel assessment system and utilized an in-house staff recruitment system to enhance personnel changes. We are reinforcing such training programs as our Asian Leadership Program to regional staff in Asian countries other than Japan.

With enhancing transparency and employee cooperation for the system, we aim to establish an optimal human resource management system for the whole ITOCHU Group to secure, post and evaluate personnel to maximize employee ability and performance. We also help the group companies and overseas offices to implement their own personnel systems to fit their markets, while implementing a personnel development program based on the management nationalization.

ITOCHU reduced the number of its subsidiaries and affiliates by a third during the last three years and consequently improved profitability of Group companies. We will continue to exit from unprofitable companies. In the final year of the mid-term plan, *A&P-2002*, ITOCHU is reinforcing core companies by setting up the Group Profits Improvement Committee and reorganizing subsidiaries to maximize synergies and values of Group companies. Also, ITOCHU operates the *GMC (Group Management Committee)*, composed of major Group companies to share common values, resources and information more effectively, and implement Group management policies.

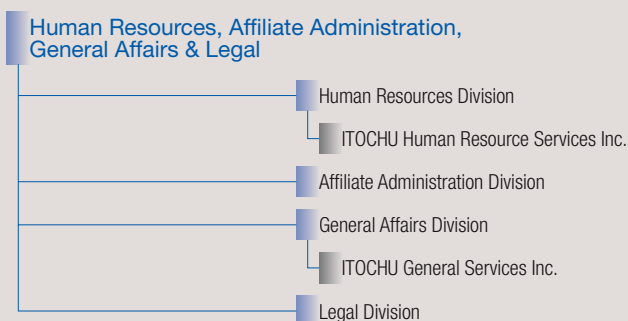
With environmental problems as key social issues, ITOCHU has acquired ISO14001 certification, and the whole Group maintains compliance with laws and regulations related to the environment. The Company supports the ITOCHU Foundation established in 1974 to “make contributions to the sound upbringing of children.” We are also engaged in a wide range of social activities including corporate philanthropy, to promote contributions to local communities.

ITOCHU carries out corporate management in compliance with laws and regulations, such as the Antimonopoly Law, the Commercial Code and the Securities and Exchange Law. We also emphasize employee training to further promote compliance to laws and to our own corporate mission. Our management also extensively prevents illegal exports, while policing itself to avoid disturbing the harmony of international society.

Contents of Operations

Executive Vice President Okazaki is responsible for the Human Resources, Affiliate Administration, General Affairs, and Legal divisions. He controls personnel strategy planning, including employment and training; investment strategy planning and evaluation of Group company operations; operation and management of corporate infrastructure; environmental measures and social contribution; legal issues; and international trade management. As an ITOCHU subsidiary, CAPLAN Corporation is engaged in placement, temporary employment and personnel training, while ITOCHU Human Resource Services Inc. and ITOCHU General Services Inc. specialize in personnel consulting and management for human resources and general affairs.

Organization



Yushin Okazaki, Executive Vice President

Organization Directly Under the President and C.E.O.

The Secretariat and the Internal Audit Division directly report to the President and C.E.O.

The Secretariat provides secretarial functions to top management including the president. It also facilitates communication for top management beyond the Company.

The Internal Audit Division handles the internal audit of ITOCHU and its subsidiaries. On a consolidated basis, it examines the effectiveness of internal control and utilization of management resources; it audits the business divisions, overseas operations, and headquarter administrative divisions. Sometimes it audits the entire organization with specific themes as well. It takes into account corporate governance and

Organization



risk management when reporting problems and recommendations to top management. In addition, the Internal Audit Division conducts a thorough follow-up of the audit findings. Further, it promotes cooperation with corporate auditors and establishes a group internal audit collaboration system through reinforcing the Group Internal Audit Divisions Meeting.

Corporate Governance

ITOCHU proactively works to reinforce corporate governance with the basic policy that “ITOCHU establishes a management system which provides benefits to stakeholders, primarily stockholders, by enhancing transparency in its decision-making process, corporate information disclosure and management accountability, and full-scale risk management including compliance with laws and regulations.”

Transparency of Decision-Making Process

The Company streamlined the Board of Directors from 45 members as of March 1999 to 12 as of March 2002. In addition, the Company introduced the executive officer position from fiscal year 2000 and that of managing executive officer from fiscal year 2002. As of April 2002, we have 29 executive and managing executive officers.

Through these efforts, ITOCHU attained a reasonable size for its Board of Directors for substantive talks and prompt decision-making, as well as ensuring its critical functions such as corporate decision-making and supervision of business operations. On the other hand, executive officers acquired definite functions to focus on specific operations.

In fiscal year 2002, the Company introduced a new payment system, which is more closely tied to business results, for directors and executive officers. This new system awards payments commensurate to their contributions.

Since fiscal year 2001, the Company has had an Advisory Board composed of independent outside advisors who are experts in various fields to obtain opinions on management from neutral viewpoints.

The Board of Corporate Auditors plays a significant role in supervising management. In fiscal year 2002, to strengthen the whole Group’s audit system, the Board of Corporate Auditors organized the GAC (*Group Audit Committee*) comprised of the auditors from member companies of the GMC (*Group Management Committee*).

Corporate Information Disclosure and Management Accountability

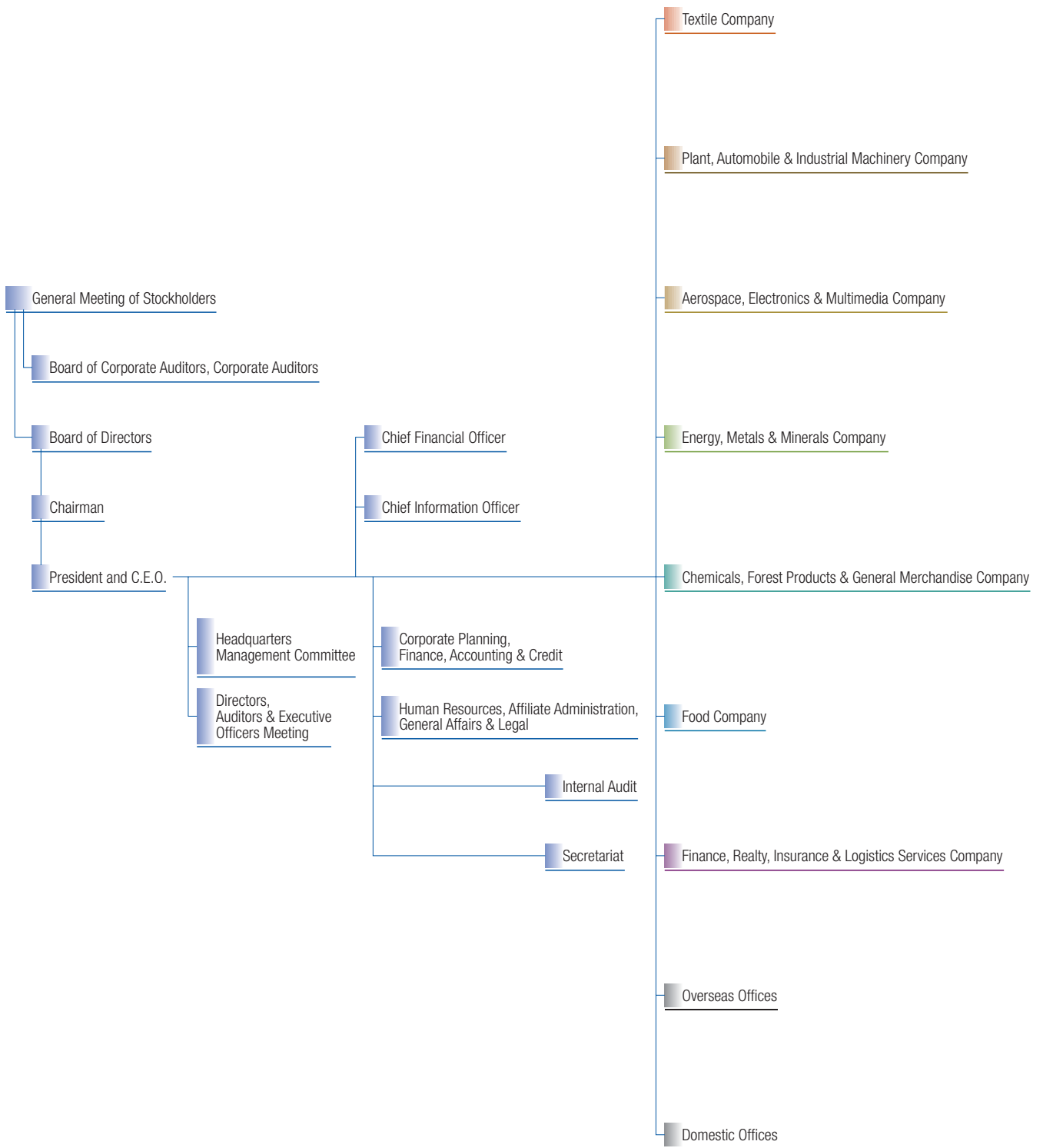
Since fiscal year 2001, the Company has publicly released quarterly financial statements, first among Japanese general trading companies. Also, in fiscal year 2002, ITOCHU has substantially improved disclosure on segment and other information by starting segment-specific IR meetings.

Risk Management

In fiscal year 2001, the Company reviewed the risk management system of the whole ITOCHU Group, including overseas representative offices and group companies, to improve compliance with laws and regulations, establish countermeasures for emergency and upgrade risk management manuals and emergency communication routes. The Company will continue to further improve the risk management system by periodical review.

To further enhance corporate governance in the future, in fiscal year 2003, we will set up a task force to develop a new management system in response to revision of Japan’s Commercial Law, which will be applied in fiscal year 2004.

Organization



In addition to the above organization, the GMC (Group Management Committee) was established to heighten the overall value of the ITOCHU Group.

Meeting the Needs of the Environment and the Community

As a company closely connected with the global environment and the community through its worldwide businesses in natural resource development, investment, products and services and

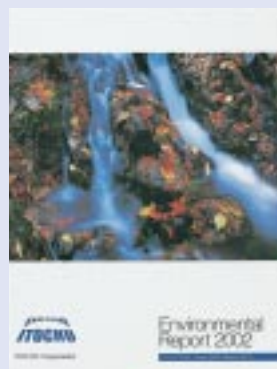
other areas, ITOCHU considers environmental conservation and social contribution as one of the most important management issues.

Environmental Conservation

ITOCHU promoted group-wide activities by designating fiscal year 2002 as the “first step in a group-wide effort to achieve management that prevents environmental risk.”

Environmental Report 2002

In June 2002, the Company published a third edition of its environmental report, *Environmental Report 2002*, describing its environmental conservation activities. It also describes Group company activities in the environmental conservation-oriented business.



ITOCHU Group ISO14001 Certification

Since the Tokyo and Osaka head offices acquired ISO14001 certification in 1997, first among general trading companies, ITOCHU has supported Group companies in acquiring the certification. A total of 22 Group companies acquired the certification as of March 2002.

Environmental Risk Management

The Company performs environmental risk management, which may occur in its daily business activities, environmental risk investigation at investments and development projects, and responds to accidents and emergencies. During fiscal year 2002, ITOCHU has not been in major violation of any environmental laws and regulations.

ISO14001-Certified ITOCHU Group Companies (As of March 31, 2002)

Company name	Operations	Year/month of certification
ITOCHU Oil Terminal Co., Ltd.	Operation of storage facilities for petroleum and chemical products	Jan. 1998
ITOCHU Plastics System Co., Ltd.	Development and sale of synthetic resins and related products	Feb. 1999
FamilyMart Co., Ltd.	Franchised convenience store operations	Mar. 1999
C.I. KASEI Co., Ltd.	Production and sale of polyvinyl chloride pipe, film, etc.	Apr. 1999
Nishino Trading Co., Ltd.	Wholesaling of food products, liquors, confections	July 1999
CRC Solutions Corp.	Data processing, software development, systems vendor, scientific and engineering information services	Sept. 1999
TAKIRON Co., Ltd.	Manufacturing, processing and sale of plastics, plastic products and plastic-covered metal products	Oct. 1999
JAMCO Corporation	Aircraft maintenance and production of aeronautic equipment	Feb. 2000
ITOCHU Sanplus Co., Ltd.*	Production and sale of synthetic resin film, strings and zipper tape	May 2000
ITOCHU POLYMER INC.	Sale of synthetic resin materials, products and related products	May 2000
Sony Broadband Solutions Corp.	Repair, maintenance, and consulting for industrial AV/IT systems	May 2000
ITOCHU Techno-Science Corporation	Development, sale, and maintenance of computers and network systems	June 2000
ITOCHU Kenzai Corporation	Sale of building and construction materials	July 2000
ITOCHU Pulp & Paper Corp.	Sale of paper, paperboard, packaging material and pulp; forest management	Aug. 2000
ITOCHU ENEX CO., LTD.	Wholesaling of petroleum products	Sept. 2000
Fuji Oil Co., Ltd.	Consolidated foods manufacturer of edible oils & fats and vegetable proteins	Sept. 2000
Yayoi Foods Co., Ltd.	Production and sale of frozen food products	Dec. 2000
KI Fresh Access, Inc.	Wholesaling of fresh fruits, vegetables and processed food, logistics services	Jan. 2001
Nippon Telematique Inc.	Sale of telecommunications equipment, design, development, and sale of software	Sept. 2001
Marubeni-Itochu Steel Inc.	Manufacture, processing, import, export and sale of steel products	Oct. 2001
ITOCHU FINE CHEMICAL Corp.	Sale of functional & semi-bulk chemical products	Dec. 2001
ITOCHU Techno-Chemical Inc.	Sale of pharmaceutical materials and other specialty chemicals, etc.	Jan. 2002

* On April 1, company name changes to C. I. SANPLUS CO., LTD.

Environmental Conservation-Oriented Business

ITOCHU compiled a group-wide distribution table of the environmental conservation-oriented businesses promoted at each division, office, and subsidiary. Based on this study, the Company reinforces areas which are not well cultivated and finds new business opportunities.

Environmental Conservation in Offices

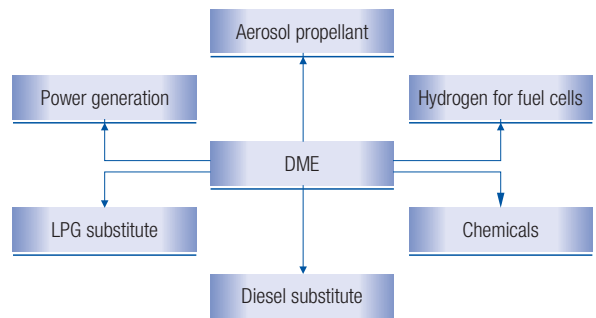
ITOCHU has introduced and arranged hardware, such as energy-saving equipment and facilities. Furthermore, each division at the Company has one environmental manager and each section has one “eco-leader.” Under their leadership, the Company’s employees take part in company-wide promotion of energy saving and waste reduction, followed by classification and recycling.

Environmental Accounting

In the second edition of the above-mentioned report, published in June 2001, environmental accounting was introduced to report costs and investment, and their benefits by item.

DME

The Energy, Metals & Minerals Company is developing DME (dimethyl ether) which is said to be a new ideal clean fuel. As well as having a variety of uses, DME especially contributes to the reduction of particulate matter. The International Energy Agency expects great development of the DME field. ITOCHU is planning to construct a DME production plant in Australia, aiming to start imports late 2006.



Benefits to Society

In keeping with its corporate philosophy of “Societal Benefits,” ITOCHU supports employees in their community, as well as corporate, activities.

ITOCHU Foundation

The *ITOCHU Foundation* was founded in 1974 to “make contributions to the sound upbringing of children.” The Company has been engaged in various activities such as assistance to children’s libraries and support for overseas study (financial aid for ten Japanese students studying overseas and ten foreign students studying in Japan).



Cleanup activity at Kugenuma Beach

Support in Basic Research

In 1991, a financially assisted research division was established in the Center for Climate System Research at the University of Tokyo, in cooperation with ITOCHU Group companies, in order to support basic research, such as greenhouse gas studies.

Volunteer Activities

The following activities became possible through the volunteer spirit of our staff.

- ITOCHU Corporation lobby concerts (With assistance for handicapped guests)
- Blood donation and bone marrow donor registration
- Cooperation with local elementary schools in social studies
- Summer environment classes
- Cleaning the area around the headquarter building
- Volunteer reading
- Collection box for nature
- Disaster donations

ITOCHU supports the activities of its staff through the “Volunteer time-off system” introduced in 1992.

Major Subsidiaries and Associated Companies

Domestic

Textile Company

Subsidiaries

CI Fabric Ltd.

Manufacture and wholesale of fabrics for apparel and home furnishings

ITOCHU Home Fashion Corp.

Manufacture and wholesale of home furnishings

Hom-Com Network Co., Ltd.

Support for home care service providers for the elderly

Marusan-Ai Corporation

Dyeing and finishing of polyester fabrics

Roy-ne Co., Ltd.

Manufacture and wholesale of woven and knitted products

UNICO Corporation

Manufacture and wholesale of uniforms

UNI KIDS Corporation

Import and sale of Chicco brand products

MARIELLA BURANI JAPAN Co., Ltd.

Import and sale of Mariella Burani brand products

Hunting World Japan Co., Ltd.

Import and sale of Hunting World brand products

Richard-Ginori Japan Corporation

Import and sale of Richard Ginori & Pagnossin Group brand products

CI GARMENT SERVICE CO., LTD.

Retail of men's and ladies' apparel and sale of garment material

ITOCHU Modedal Co., Ltd.

Manufacture and wholesale of apparel

Liondor Co., Ltd.

Manufacture and wholesale of men's apparel

JOI'X CORPORATION

Sale of men's apparel

TOMMY HILFIGER JAPAN, INC.

Sale of Tommy Hilfiger brand products

ORIZZONTI CO.,LTD.

Sale of Interplanet brand and Vivienne Westwood brand apparel

STRENESSE JAPAN LTD.

Import and sale of Strenesse brand products

ITOCHU Fashion System Co., Ltd.

Comprehensive consulting in the fashion industry

ITOCHU Textile Institute, Inc.

Research, developing, and consulting

CI Shopping Service Co., Ltd.

Sale of everyday items aimed at ITOCHU Group employees and families

Associates

Ayaha Corporation

Manufacture of tire cords, etc.

Leilian Co., Ltd.

Retail of ladies' apparel

Plant, Automobile & Industrial Machinery Company

Subsidiaries

ITOCHU Plant & Machinery Corporation

Export and import of small-to-medium-scale plant and associated systems

IMECS Co., Ltd.

Ownership and operation of ship, chartering, ship machinery and administration management of overseas shipping companies

ITOCHU Energy Solution Co., Ltd.

Sale of equipment and systems for energy conservation, and distributed power generation services

ITOCHU Automobile Corporation

Export/import and domestic sale of parts and plants

ITOCHU Construction Machinery Co., Ltd.

Wholesale of construction machinery

ITOCHU Sanki Corporation

Wholesale of industrial machinery

ITOCHU Texmac Corporation

Wholesale of textile machinery

Century Medical, Inc.

Wholesale of medical equipment and materials

Associates

Century Leasing System, Inc.

Lease of machinery and equipment

Aerospace, Electronics & Multimedia Company

Subsidiaries

ITOCHU Airlease Corporation

Lease and finance of commercial aircraft

ITOCHU Aviation Co., Ltd.

Sale of aircraft and related equipment

ITOCHU Mechatronics Corporation

Sale of NC machine tools and industrial robots

ITOCHU Techno-Science Corporation

Sale, system integration and services of computer networks and equipment

EXCITE Co., Ltd.

Internet directory, search engine and information provider

Info Avenue Corporation

Application service provider

Space Shower Network, Inc.

Cable/satellite television network of music channels

ITC Networks Corporation

Retail network of mobile phones

Associates

JAMCO Corporation

Maintenance of aircraft and manufacture of aircraft interior

CRC Solutions Corp.

System integration, outsourcing and consulting services

Japan Entertainment Network K.K.

Cable/satellite television network of cartoon channels

Star Channel Inc.

Cable/satellite television network of movie channels

Energy, Metals & Minerals Company

Subsidiaries

ITOCHU Non-Ferrous Materials Co., Ltd.

Wholesale of non-ferrous metals and products

ITOCHU Oil Exploration Co., Ltd.

Exploration and production of hydrocarbon resources

ITOCHU MARINE Co., Ltd.

Charter and operation of oil tankers, sales of bunker fuel oil

ITOCHU Oil Terminal Co., Ltd.

Operation of oil storage facilities

ITOCHU Energy Marketing Co., Ltd.

Wholesale of petroleum products

ITOCHU LubNet Inc.

Sale of lubricants and auto-parts

Associates

Marubeni-Itochu Steel Inc.

Wholesale of steel products

ITOCHU ENEX CO., LTD.

Wholesale of petroleum products

OCL Corp.

Lease and maintenance of cask

Chemicals, Forest Products & General Merchandise Company

Subsidiaries

ITOCHU Kenzai Corp.

Wholesale of wood products and building materials

Sanko Plywood Co., Ltd.

Manufacture of plywood

Daishin Plywood Co., Ltd.

Manufacture of plywood

ITOCHU Forestry Corp.

Landscape architecture, greenery development and wastewater treatment systems

Everson McCoy Homes Inc.

Marketing of North American-type imported houses

ITOCHU LUMBER Co., Ltd.

Assemble and wholesales of lumber and building products

ITOCHU Pulp & Paper Corp.

Wholesale of paper, paperboards, packaging materials and wood pulp

APP Japan Ltd.

Sole agent in Japan for APP, the largest paper manufacturing group in Indonesia

ITOCHU Ceratech Corp.

Manufacture and sale of processed refractory raw materials and building products

ITOCHU Windows Co., Ltd.

Manufacture and sale of insulating glass

click-enterprise.com

Incubating and managing e-Business

I.C.S. Co., Ltd.

Sale of tires and wheels

Royal Stage Corporation
Catalog shopping for the wealthy

Retail Branding Co. Ltd.
Retail support business

HARTS MARUHARA CORPORATION
DIY store

BEAVER TOZAN CORPORATION
DIY store

ITOCHU FINE CHEMICAL Corporation
Wholesale of fine chemicals and related raw materials

ITOCHU Plastics System Co., Ltd. *
Development and wholesale of synthetic resins and related products

ITOCHU POLYMER INC. *
Wholesale of resins and plastic products

* On June 1, merge to become ITOCHU PLASTICS INC.

ITOCHU Techno-Chemical Inc.
Wholesale of superfine chemicals

The Japan Cee-Bee Chemical Co., Ltd.
Manufacture and other operations for metal pretreatment chemicals

VCJ Corporation
Wholesale of video software and plastic products for convenience-store chain and retailers

Chemical Logitec Co., Ltd.
Management of chemical storage warehouses and transport of chemical and other cargos

Associates

Japan Brazil Paper & Pulp Resources Development Co., Ltd.
Investment in CENIBRA, one of the largest eucalyptus pulp manufacture in Brazil

PPG-CI Co., Ltd.
Wholesale of float-glass

TAKIRON Co., Ltd.
Manufacture of plastic products including flat and corrugated plastic sheets

C.I. KASEI Co., Ltd.
Manufacture of PVC pipe and film and related materials

ITOCHU Sanplus Co., Ltd. **
Manufacture of polyethylene film and related materials

** On April 1, company name changes to C. I. SANPLUS CO., LTD.

DAILITE Co., Ltd.
Manufacture and sale of plastic products, such as large polyethylene-tanks

TOHO EARTHTECH, INC.
Exploration and production of natural gas and iodine

Food Company

Subsidiaries

ITOCHU Sugar Co., Ltd.
Manufacture and processing of sugar and by-products

I-FOODS Co., Ltd.
Import and wholesales of food materials

ITOCHU Rice Corporation
Rice wholesales

ITOCHU Feed Mills Co., Ltd.
Manufacture and wholesale of compound feeds

Japan Foods Co., Ltd.
Production of soft drinks

ITOCHU FRESH Corporation
Processing and wholesale of perishables

ITOCHU SHOKUHIN Co., Ltd.
Wholesale and distribution of foods

Nishino Trading Co., Ltd.
Wholesale of foods and sundries

Yayoi Foods Co., Ltd.
Manufacture of frozen prepared foods

Tower Bakery Co., Ltd.
Processing of dough and bread for SEVEN-ELEVEN convenience store chain

Universal Food Co., Ltd.
Planning and service providing in food service business

Family Corporation Inc.
Logistics services of frozen, chilled and dry foods and sundries for convenience-store chain, retailers and food service business

Associates

FamilyMart Co., Ltd.
Operation of a convenience store chain, using the name "FamilyMart" and a franchise system

Fuji Oil Co., Ltd.
Integrated manufacturer of cooking oil and soybean protein

Yoshinoya D&C Co., Ltd.
Operation of Gyu-don store chain and other new business

Compass Group Japan Ltd.
Industrial catering business

Finance, Realty, Insurance & Logistics Services Company

Subsidiaries

ITOCHU Finance Corporation
Loan and venture capital investment business

ITOCHU Capital Securities, Ltd.
Structuring and distribution of fund of funds and other investment products

ITOCHU Property Development, Ltd.
Development and sale of housing (apartments, condominiums and homes)

ITOCHU Housing Co., Ltd.
Real estate agent and property consultant

Century 21 Real Estate of Japan Ltd.
Headquarters of real estate franchise system

ITOCHU Urban Community Ltd.
Operation and management of real estate property

ITOCHU Commnet Co., Ltd.
Operation of rental residents

ITOPIA Home Co., Ltd.
Planning and execution of homes

ITOCHU Insurance Services Co., Ltd.
Insurance agency

i-LOGISTICS CORP.
Comprehensive logistics services

Naigai Travel Service Co., Ltd.
Travel agency

Associates

kabu.com Securities Co., Ltd.
Online stock brokerage

CREEDIA CO., LTD.
Consumer loan and business loan

Priva Corporation
Online consumer loan

Wide Co., Ltd.
Consumer loan

Famima Credit Corporation
Credit card business for FamilyMart convenience store chain

eGuarantee, Inc.
Integrated payment solutions through the eGuarantee financial portal for BtoB marketplaces and financing providers

ITOCHU Insurance Brokers Co., Ltd.
Insurance broking services

Superex Corporation
Logistics center

Arukikata.com Inc.
Online travel agency

World Gateway, Inc.
Electronification services for international trade and financial procedure/documentation through Bolero. TEDI

Other Operations

Subsidiaries

ITOCHU Management Consulting Co., Ltd.
Market research and analysis, business support and consulting

ITOCHU Mabis Inc.
International and domestic trading

ITOCHU Shared Management Services Inc.
Finance and accounting shared service, business support and consulting

CAPLAN Corporation
Executive placement, temporary employment, outsourcing, training seminars and outplacement

ITOCHU Human Resource Services Inc.
Human resource management consulting, personnel data management and payroll service

ITOCHU General Services Inc.
Facility management and interior works

(As of March 31, 2002)

Overseas

Textile Company

Subsidiaries

- ITOCHU Wool Ltd. (Australia)**
Purchase and wholesale of wool and animal hair
- ITOCHU Textile Materials (Asia) Ltd. (Hong Kong S.A.R., China)**
Wholesale of chemical fibers, filament yarns and cotton yarns
- Prominent USA Inc. (U.S.A.)**
Import, export and wholesale of garments and fabrics
- Prominent (Europe) Ltd. (U.K.)**
Import and wholesale of garments and fabrics
- Prominent Apparel Ltd. (Hong Kong S.A.R., China)**
Production control and wholesale of textile and apparel
- ITOCHU Textile (Shanghai) Co., Ltd. (China)**
Production control and wholesale of textile materials, fabrics and apparel
- Tianjin Huada Garment Co., Ltd. (China)**
Manufacture of uniforms
- Qingdao Tri-Gents Clothing Co., Ltd. (China)**
Manufacture of men's suit
- Fashion Europe Inc. (U.S.A.)**
Import and sale of Vivienne Westwood brand goods etc.

Associates

- Thai Shikibo Co., Ltd. (Thailand)**
Manufacture of cotton yarn
- ATR Wire & Cable Co., Inc. (U.S.A.)**
Manufacture of steel tire cords
- Nortons S.p.A. (Italy)**
Import and wholesale of apparel
- Hangzhou Asahikasei Textiles Co., Ltd. (China)**
Knitting and dyeing of spandex
- BULGARI KOREA LTD. (Republic of Korea)**
Import and sale of BVLGARI brand products

Plant, Automobile & Industrial Machinery Company

Subsidiaries

- Daihatsu Holland B.V. (Netherlands)**
Wholesale of motor vehicles
- MCL Group Ltd. (U.K.)**
Retail and wholesale of motor vehicles
- I.C. Autohandel Beteiligungen GmbH (Germany)**
Holding company for car dealers

ITOCHU Automobile America, Inc. (U.S.A.)
Holding company for auto-related business

Auto Investment Inc. (U.S.A.)
Holding company for car dealers

PROMAX Automotive, Inc. (U.S.A.)
Third-party logistics services

TEXMAC, Inc. (U.S.A.)
Wholesale of industrial machinery

ITOCHU SysTech G.m.b.H. (Germany)
System engineering and sale of manufacturing equipment for electronic devices and semiconductors

ITOCHU SYSTECH Singapore PTE LTD (Singapore)
Total solution for Information Technology, system engineering and sale of manufacturing equipment for electronic devices and semiconductors

MA International, Inc. (U.S.A.)
Distribution of portable construction equipment

North American Energy Services Inc. (U.S.A.)
Power Plant Operation & Maintenance Services Provider for Independent Power Producers (IPPs) and Electricity Utilities

Associates

- Mazda Austria G.m.b.H. (Austria)**
Wholesale of motor vehicles
- P.T.Astra Multi Finance (Indonesia)**
Motor vehicle financing to customers
- Thai Commercial Auto Co., Ltd. (Thailand)**
Motor vehicle financing to customers
- Taiwan Orico Company, Ltd.(Taiwan)**
Motor vehicle financing to customers

Aerospace, Electronics & Multimedia Company

Subsidiaries

- ITOCHU AirLease, Inc. (U.S.A.)**
Lease and finance of commercial aircraft
- ITOCHU AirLease B.V. (Netherlands)**
Lease of commercial aircraft
- ITOCHU Aviation, Inc. (U.S.A.)**
Export of aircraft and related equipment
- Innovative Information Systems Ltd. (Hong Kong S.A.R., China)**
Wholesale of computer equipment
- ITOCHU Electronics Co., Ltd. (U.K.)**
Wholesale of office-use printers and computer equipment
- ITOCHU Technology, Inc. (U.S.A.)**
Sourcing of computer hardware and software

Energy, Metals & Minerals Company

Subsidiaries

- CI Minerals Australia Pty., Ltd. (Australia)**
Investment in iron ore mining project
- ITOCHU Coal Resources Australia Pty., Ltd. (Australia)**
Investment in coal mining and sales project
- ITOCHU Coal International Inc. (U.S.A.)**
Investment in coal mining and sales project
- ITOCHU Petroleum Co., (Singapore) Pte. Ltd. (Singapore)**
International Trade of crude oil and petroleum products
- ITOCHU Petroleum Co.,(Hong Kong) Ltd. (Hong Kong S.A.R., China)**
International Trade of crude oil, LPG and petroleum products

Associates

- Mitsui-Itochu Iron Pty., Ltd. (Australia)**
Investment in iron ore mining project
- Kobe Alumina Associates (Australia) Pty., Ltd. (Australia)**
Investment in manufacture of alumina and mining of gold
- CHEMOIL Corporation (U.S.A.)**
Sale and distribution of bunker fuel
- Galaxy Energy Group Ltd. B.V.I. (British Virgin Islands)**
International trade of crude oil and petroleum products

Chemicals, Forest Products & General Merchandise Company

Subsidiaries

- CIPA Lumber Co. Ltd. (Canada)**
Manufacture of lumber and veneer
- Siam Riso Wood Products Co., Ltd. (Thailand)**
Manufacture of particle boards
- Pacific Woodtech Corp. (U.S.A)**
Manufacture of LVL & I-Joist
- ITOCHU Pulp & Paper Asia Pte., Ltd. (Singapore)**
Supervising wholesale of paper and pulp in Asia
- C.I. Ceramics (Australia) Pty., Ltd. (Australia)**
Sales and services for refractory materials and products
- PrimeSource Building Products, Inc. (U.S.A.)**
Wholesale of building materials
- Am-Pac Tire Distributors Inc. (U.S.A.)**
Wholesale and retail of tires
- Stapleton's (Tyre Services) Ltd. (U.K.)**
Wholesale and retail of tires

ITOCHU Plastics Pte., Ltd. (Singapore)
Wholesale of plastic resins

Plastrubition Limited (U.K.)
Wholesale of synthetic resins

Hexa Color (Thailand) Ltd. (Thailand)
Plastics coloring compound operations

Hinbo International Industrial Co., Ltd. (China)
Manufacture of plasticizer for Polyvinyl chloride

CIPLAS America Inc. (U.S.A.)
Wholesale of synthetic resins

ITOCHU Specialty Chemicals Inc. (U.S.A.)
Wholesale of chemical products and synthetic resins

Associates

Daiken Sarawak Sdn. Bhd. (Malaysia)
Manufacture of medium-density fiberboards

Albany Plantation Forest Company of Australia Pty. Ltd. (Australia)
Plantation of eucalyptus trees for papermaking

Harris Daishowa (Aust.) Pty. Ltd. (Australia)
Manufacture of woodchip

RubberNet (Asia) Pte. Ltd. (Singapore)
Sale of natural rubber

Thaitech Rubber Corp., Ltd. (Thailand)
Processing of natural rubber

P.T. Aneka Bumi Pratama (Indonesia)
Processing of natural rubber

Bonset America Corporation (U.S.A.)
Manufacture of plastic shrink film

Guangzhou ES Fiber Co., Ltd. (China)
Manufacture of bonded-fiber fabrics

Shanghai Baoling Plastics Co., Ltd. (China)
Manufacture of plastic products

Shanghai Jinpu Plastic Packaging Material Co., Ltd. (China)
Manufacture of polypropylene films

Tetra Chemicals (Singapore) Pte. Ltd. (Singapore)
Sale and manufacture of MTBE (Methyl t-Butyl Ether)

Food Company

Subsidiaries

Oilseeds International Ltd. (U.S.A.)
Safflower oil manufacture

Associates

Asahi Breweries ITOCHU (Holdings) Limited (Hong Kong S.A.R., China)
Holding company for China beer project

Winner Food Products Ltd. (Hong Kong S.A.R., China)
Manufacture and Wholesale of processed foods

Cholburi Sugar & Trading Corp., Ltd. (Thailand)
Sugar manufacture

Nic Starch Products Ltd. (Thailand)
Starch manufacture

Palmaju Edible Oil Sdn. Bhd. (Malaysia)
Refining of palm oil

P.T. Aneka Tuna Indonesia (Indonesia)
Production and marketing of canned tuna

CGB Enterprise, Inc. (U.S.A.)
Handling of grain and operation of barges

Taiwan Distribution Center Co. Ltd. (Taiwan)
Wholesale of foods and sundries

Finance, Realty, Insurance & Logistics Services Company

Subsidiaries

ITOCHU Finance (Europe) Plc. (U.K.)
Proprietary financial investment and development of new financial business in Europe

ITOCHU Finance (Asia) Ltd. (Hong Kong S.A.R., China)
Proprietary financial investment and development of new financial business in Asia

P.T. Skyline Building (Indonesia)
Development and operation of office buildings and residential projects

Cosmos Services Co., Ltd. (Hong Kong S.A.R., China)
Consulting and broking of insurance and reinsurance

Cosmos Services (America) Inc. (U.S.A.)
Consulting and broking of insurance

Gotoh Distribution Service, Inc. (U.S.A.)
Transport and warehousing

Eurasia Sped Kft. (Hungary)
Transport and warehousing

I & D Logistics Private Limited (India)
Transport of automobiles

Guangzhou Global Logistics Corp. (China)
Warehousing and trucking

SIG Logistics, Inc. (U.S.A.)
Distribution center for convenience-store chain

Associates

P.T. Maligi Permata Industrial Estate (Indonesia)
Development, sale and management of industrial parks

Cosmos Risk Solutions Ltd. (U.K.)
Consulting and broking of insurance and reinsurance

Other Operations

Subsidiaries

Telerent Leasing Corp. (U.S.A.)
Distribution and lease of televisions and air conditioners to hotels and hospitals

Master-Halco, Inc. (U.S.A.)
Manufacture of fencing materials

Enprotech Corporation (U.S.A.)
Project management, industrial machinery design and repairs

Productos Y Equipos Internacionales S.A. De C.V. (Mexico)
Wholesale and retail of medical equipments

Overseas Trading Subsidiaries

ITOCHU International Inc. (U.S.A.)

ITOCHU Canada Ltd. (Canada)

ITOCHU Latin America S.A. (Panama)

ITOCHU Brasil S.A. (Brazil)

ITOCHU Argentina S.A. (Argentina)

ITOCHU Colombia S.A. (Colombia)

ITOCHU Mexico S.A. de C.V. (Mexico)

ITOCHU Chile Ltda. (Chile)

ITOCHU Europe PLC. (U.K.)

ITOCHU Deutschland GmbH. (Germany)

ITOCHU Italiana S.p.A. (Italy)

ITOCHU Schweiz AG (Switzerland)

ITOCHU Austria GmbH. (Austria)

ITOCHU Hellas Ltd. (Greece)

ITOCHU France S.A. (France)

ITOCHU España S.A. (Spain)

ITOCHU Egypt, Limited Liability Company (Egypt)

ITOCHU Middle East E.C. (Bahrain)

ITOCHU Australia Ltd. (Australia)

ITOCHU New Zealand Ltd. (New Zealand)

ITOCHU Taiwan Corporation (Taiwan)

ITOCHU Korea Ltd. (Republic of Korea)

ITOCHU Asia Pte., Ltd. (Singapore)

ITOCHU Hong Kong Ltd.

(Hong Kong S.A.R., China)

ITOCHU (China) Holding Co., Ltd. (China)

ITOCHU Shanghai Ltd. (China)

ITOCHU (Thailand) Ltd. (Thailand)

Bank References

Japan

Mizuho Corporate Bank, Ltd.
The Sumitomo Mitsui Banking Corporation
The Bank of Tokyo-Mitsubishi, Ltd.
UFJ Bank Limited.
The Asahi Bank, Ltd.
Shinsei Bank, Ltd.
Aozora Bank, Ltd.
The Sumitomo Trust & Banking Co., Ltd.
The Chuo Mitsui Trust & Banking Co., Ltd.
The Mitsubishi Trust & Banking Corporation
UFJ Trust Bank Limited
Japan Bank for International Cooperation
Development Bank of Japan
The Norinchukin Bank
Shinkin Central Bank

North America

Bank of America N.A.
Bank One N.A.
Citibank, N.A.
JPMorgan Chase Bank
Bank of Montreal
Canadian Imperial Bank of Commerce
Royal Bank of Canada

Central & South America

Banamex S.A. Grupo Financiero Citigroup

Oceania

Commonwealth Bank of Australia
Westpac Banking Corporation
Bank of New Zealand Limited

Asia

Chekiang First Bank Ltd.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China
Industrial and Commercial Bank of China
Bank of Communications
Bangkok Bank Public Company Limited
State Bank of India
The Development Bank of Singapore Limited
United Overseas Bank Limited
Malayan Banking Berhad
RHB Bank Berhad

Europe & Africa

Barclays Bank PLC
HSBC Bank plc
COMMERZBANK A.G.
Deutsche Bank A.G.
Crédit Agricole Indosuez
BNP Paribas
Crédit Lyonnais S.A.
Société Générale
Natexis Groupe
ABN AMRO Bank N.V.
Credito Italiano S.p.A.
Credit Suisse
The Royal Bank of Scotland plc
N M Rothschild & Sons Limited

Middle East

Union National Bank
Standard Chartered Bank
Saudi American Bank

Overseas Representative Offices

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Facsimile: 27 (11) 465-0635, 0604

Middle East

ITOCHU Middle East FZE

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Facsimile: 971 (4) 8819027

Oceania

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Telephone: 7 (095) 961-1456
Facsimile: 7 (095) 961-1447
(As of July 1, 2002)

Corporate Officers

Board of Directors

CHAIRMAN OF THE BOARD, PRESIDENT AND C.E.O.

Uichiro Niwa

CHAIRMAN

Minoru Murofushi

VICE CHAIRMAN

Masahisa Naitoh

EXECUTIVE VICE PRESIDENTS

Hiroshi Sumie

President, Energy, Metals & Minerals Company

Makoto Kato

President, Textile Company

Yushin Okazaki

Human Resources, Affiliate Administration,
General Affairs & Legal

Sumitaka Fujita

Chief Financial Officer; Corporate Planning,
Finance, Accounting & Credit

SENIOR MANAGING DIRECTORS

Mitsuaki Fukuda

President, Plant, Automobile & Industrial
Machinery Company

Akira Yokota

President, Aerospace, Electronics & Multimedia
Company

MANAGING DIRECTORS

Motonori Toyota

President, Chemicals, Forest Products &
General Merchandise Company

Kouhei Watanabe

President, Food Company

Hiroshi Ueda

President, Finance, Realty, Insurance & Logistics
Services Company

Board of Corporate Auditors

Corporate Auditors

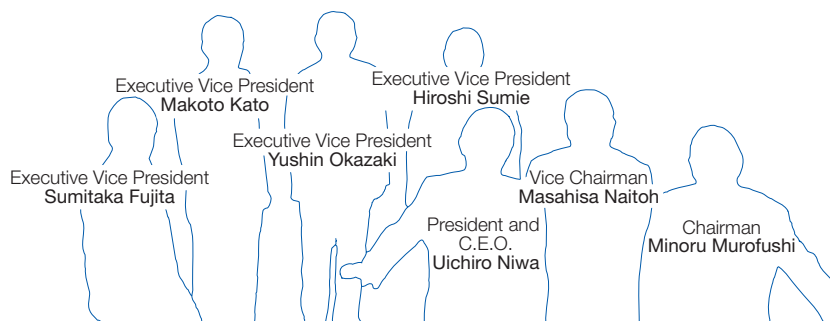
Shonosuke Beppu

Toshio Konishi

Masahiro Asano

Yasuyuki Wakahara

Katsuhiko Kondo



Executive Officers

MANAGING EXECUTIVE OFFICERS

Kenji Harasawa

General Manager of Nagoya Area

Sokichi Sasaki

General Manager for China; Chairman, General
Manager & Group Director of
China Business for ITOCHU (China) Holding
Co., Ltd.

Nobuyoshi Umeno

Deputy Chief Financial Officer;
General Manager, General Accounting Control
Division

Tsutomu Miyakushi

Deputy Chief Administrative Officer, General
Affairs & Legal;
General Manager, Legal Division

Takeshi Tanimura

Chief Operating Officer, Insurance Services
Division

Yoichi Okuda

President, Chief Executive Officer & Chief
Operating Officer, ITOCHU International Inc.

Hiroyuki Shinoki

Chief Operating Officer, Media Business Division

Akio Maki

Chief Executive for Europe; Managing Director,
ITOCHU Europe PLC.

Akira Koderu

Executive Vice President, Textile Company

Eizo Kobayashi

Deputy Chief Administrative Officer, Corporate
Planning;
Chief Information Officer;
General Manager, SI-Retail Office;
Master of Net Valley

EXECUTIVE OFFICERS

Satoshi Tanioka

Senior Vice President, Textile Company;
Chief Operating Officer, Fashion & Sports
Apparel Division

Masayoshi Araya

Executive Vice President, Energy, Metals &
Minerals Company; Chief Operating Officer,
Metals & Mineral Resources Division

Tetsuo Mori

General Manager, General Affairs Division

Tadao Nakamura

Deputy Chief Administrative Officer, Human
Resources & Affiliate Administration; Chief
Officer for Asian Region Strategy

Akihisa Matsumoto

Chief Operating Officer, Energy Division

Jiro Takemori

Chief Operating Officer, Plant & Project Division

Masao Kasama

Chief Operating Officer, Aerospace & Electronic
Systems Division

Etsuro Nakanishi

Senior Vice President, General Manager Textile
Division,
ITOCHU International Inc.

Toshihito Tamba

Chief Operating Officer, Forest Products &
General Merchandise Division

Tetsuya Matsui

Executive Vice President, Food Company

Hiroyuki Isaka

General Manager, Corporate Communications
Division

Shigeki Nishiyama

General Manager, Corporate Planning &
Administration Division

Kiyoshi Sasaki

General Manager, Finance Division

Toru Ota

General Manager, Secretariat

Shigeru Tsujimura

Chief Operating Officer, Construction & Realty
Division

Ryota Honjo

Chief Executive Representative for ASEAN &
South-West Asia;
Chairman & Managing Director, ITOCHU Hong
Kong Ltd.

Hiroshi Tomita

General Manager, Human Resources Division

Yoshio Akamatsu

General Manager of Planning & Coordinating
Department,
Chief Information Officer, Plant, Automobile &
Industrial Machinery Company

Masahiro Okafuji

Senior Vice President, Textile Company; Chief
Operating Officer, Brand Marketing Division

Masahiro Nakagawa

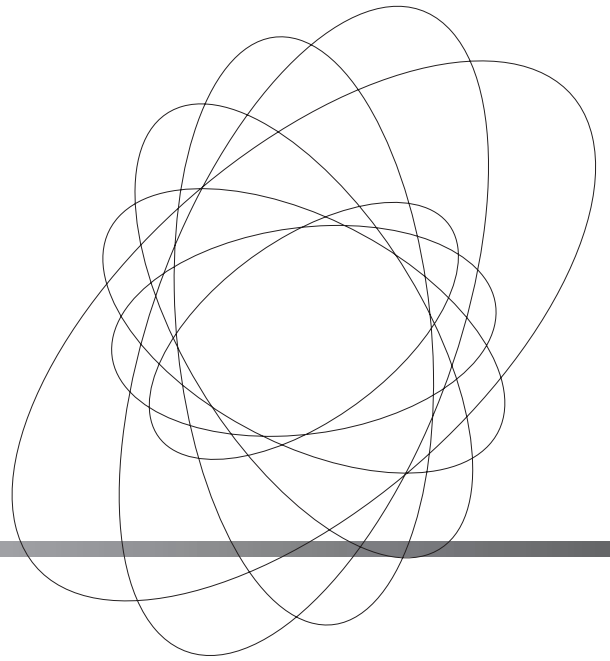
Chief Operating Officer, IT & Telecommunication
Division

Yosuke Minamitani

Chief Operating Officer, Chemicals Division;
General Manager, Inorganic Chemicals
Department

Shigeharu Tanaka

Senior Vice President, Food Company;
Chief Operating Officer, Food Products
Marketing & Distribution Division No.1



Financial Section

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Six-Year Summary

Years ended March 31	Millions of Yen						Millions of U.S. dollars
	2002	2001	2000	1999	1998	1997	2002
For the year:							
Total trading transactions	¥11,400,471	12,135,261	12,144,445	13,900,567	15,544,508	15,267,012	\$85,557.0
Gross trading profit	578,867	611,600	612,348	641,713	596,678	566,557	4,344.2
Gross trading profit ratio (%)	5.08	5.04	5.04	4.62	3.84	3.71	
Trading income	96,517	108,620	44,698	59,356	22,188	52,523	724.3
Net income (loss)	30,191	70,507	(88,271)	(34,088)	(91,931)	12,490	226.6
Per ten shares (Yen, U.S. dollars):							
Net income (loss)	¥ 212	495	(619)	(239)	(645)	88	\$ 1.59
Cash dividends	50	50	—	—	60	60	0.38
At year-end:							
Total assets	¥ 4,752,319	5,157,519	6,067,125	6,733,026	7,531,125	7,444,861	\$35,664.7
Short-term interest-bearing debts	991,410	1,263,714	1,553,251	1,851,889	2,564,958	2,327,293	7,440.2
Long-term interest-bearing debts	1,803,321	1,806,794	2,520,127	2,811,162	2,684,128	2,572,748	13,533.4
Interest-bearing debts	2,794,731	3,070,508	4,073,378	4,663,051	5,249,086	4,900,041	20,973.6
Long-term debt, excluding current installments	1,863,629	1,868,185	2,574,964	2,861,338	2,738,901	2,630,175	13,986.0
Stockholders' equity	397,668	316,940	281,325	305,514	412,520	556,695	2,984.4
Cash flows:							
Cash flows from operating activities	¥ 216,503	160,335	224,816	128,320	22,029	136,712	\$ 1,624.8
Cash flows from investing activities	214,008	564,707	197,658	306,405	(181,231)	(160,033)	1,606.1
Cash flows from financing activities	(232,047)	(717,602)	(320,418)	(418,241)	214,430	40,898	(1,741.4)
Cash and cash equivalents at year-end	479,734	274,936	264,187	168,123	155,579	96,927	3,600.3
Ratio:							
ROA (%)	0.6	1.3	—	—	—	0.2	
ROE (%)	8.4	23.6	—	—	—	2.2	
Ratio of stockholders' equity to							
total assets (%)	8.4	6.1	4.6	4.5	5.5	7.5	
Net debt-to-equity ratio (times)	5.8	8.0	12.0	13.7	11.8	8.5	
Interest coverage (times)	2.1	1.5	0.9	1.0	0.9	1.1	
Common stock information:							
Stock price (Yen, U.S. dollars):							
High	¥ 520	566	625	368	655	815	\$ 3.90
Low	269	395	250	168	182	512	2.02
Closing price	430	445	547	246	320	606	3.23
Market capitalization							
(Yen in billions and U.S. dollars in billions)	613	634	780	351	456	864	4.60
Trading volume (yearly, million shares)	847	887	1,832	663	595	338	
Exchange rates into U.S. currency:							
(Federal Reserve Bank of New York)							
At year-end	¥ 132.70	125.54	102.73	118.43	133.20	123.72	
Average for the year	125.64	111.65	110.02	128.10	123.56	113.21	
Range:							
Low	134.77	125.54	124.45	147.14	133.99	124.54	
High	115.89	104.19	101.53	108.83	111.42	104.49	
Number of employees (Non-consolidated)	4,580	5,012	5,306	5,775	6,675	6,999	

The Japanese yen amounts for the year ended March 31, 2002, have been translated into United States dollar amounts, solely for the convenience of the reader, at the rate of ¥133.25=U.S.\$1 (official rate of The Bank of Tokyo-Mitsubishi, Ltd.). Dividends per ten shares are those declared with respect to the income of each of the respective years.

From the year ended March 31, 1997, the Company revised the recording of precious metal trading transactions. Concurrently, the Company restated total trading transactions in the consolidated statements of income for the prior years.

The Company and its subsidiaries have adopted Statement of Financial Accounting Standards No. 128 "Earnings per Share" (SFAS 128), in the year ended March 31, 1998. SFAS 128 requires the restatement of prior period earnings per share data. Such restatement had no effect on previously reported earnings per share data.

The Company and its subsidiaries adopted retroactively to April 1, 1994, Statement of Financial Accounting Standards No.115 "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115). Accordingly, the Company and its subsidiaries restated the prior years' net income (loss), net income (loss) per ten shares, total assets and stockholders' equity. Such restatement had no effect on net income and net income per ten shares from the year ended March 31, 1995 to the year ended March 31, 1997.

Management's Discussion and Analysis of Operations

Years ended March 31	Billions of Yen			Millions of U.S. dollars
	2002	2001	2000	2002
Total Trading Transactions				
Textile	¥ 880	944	1,106	\$ 6,605
Plant, Automobile & Industrial Machinery	1,937	2,149	2,037	14,539
Aerospace, Electronics & Multimedia	960	890	869	7,207
Energy, Metals & Minerals	2,740	3,107	3,038	20,563
Chemicals, Forest Products & General Merchandise	1,736	1,842	1,785	13,027
Food	2,445	2,405	2,397	18,350
Finance, Realty, Insurance & Logistics	455	630	765	3,417
Other	247	168	147	1,849
	¥11,400	12,135	12,144	\$85,557
Gross Trading Profit				
Textile	¥ 83	81	70	\$ 627
Plant, Automobile & Industrial Machinery	50	56	64	377
Aerospace, Electronics & Multimedia	113	111	83	845
Energy, Metals & Minerals	53	68	63	395
Chemicals, Forest Products & General Merchandise	81	82	80	605
Food	127	127	129	952
Finance, Realty, Insurance & Logistics	34	23	39	258
Other	38	64	84	285
	¥ 579	612	612	\$ 4,344

In accordance with the adoption of Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131) in the year ended March 31, 1999, transaction volumes and gross trading profits are expressed in terms of eight operating segments: Textile; Plant, Automobile & Industrial Machinery; Aerospace, Electronics & Multimedia; Energy, Metals & Minerals; Chemicals, Forest Products & General Merchandise; Food; Finance, Realty, Insurance & Logistics; and Other.

Overview

During fiscal 2002, ended March 31, 2002, the Japanese economy has further deteriorated with deflationary conditions through a decrease in the volume of exports and domestic production. A rise in the unemployment rate has led to a harsher employment and earnings environment and thus consumer spending has slumped, which has caused a large drop in capital investment in the latter half of fiscal 2002.

The overseas economy showed signs of slight recovery after generally decelerating with concerns about simultaneous world recession in the first half. The U.S. economy has improved in the latter half, escaping from a temporary fall in private consumption due to the terrorist attacks on September 11, 2001. In Europe and Asia, signs of recovery have also been noted in the latter half after the slowdown following the sluggish U.S. economy.

In this environment, ITOCHU has embarked on its medium-term plan "A&P-2002" (April 2001 - March 2003). According to this plan, these two years are identified as a period during which ITOCHU will discard conventional business models and develop new businesses based on the A&P (Attractive & Powerful) strategy. Two innovations - one in profit structure and one in the management system - are being tackled in order to pave the road for the creation of a corporate group with a consolidated net income of 100 billion yen, composed of companies outstanding in their respective business sectors.

Regarding the "reorganization of the profit structure" (creation of new business models), ITOCHU has aimed to

establish profit models focused on the A&P segments (information and multimedia, consumer and retail-related, natural resource development, financial services and North America). The reallocation of assets, and the shifts of management resources to these strategic business areas also took place.

In the information and multimedia field, Space Shower Network Inc. was listed on JASDAQ (formerly Over-the-Counter market). In the consumer and retail-related sector, in order to strengthen the overall structure of the food business, ITOCHU established I-FOODS Co., Ltd., a sales company to handle the full range of raw materials. This reinforces intermediary distribution, which is at the core of the SIS (Strategic Integrated System) strategy. In the field of natural resource development, the Sakhalin oil field project has proceeded to the development phase. Also, ITOCHU has increased its stake in Brazilian pulp manufacturer Cenibra, thus dramatically increasing pulp transaction volume. In addition, in the iron and steel sector, ITOCHU established Marubeni-Itochu Steel Inc. last October, and this company is off to a good start.

As for the maximization of Group value, the GMC (Group Management Committee), whose members are major Group companies, was launched this year. The sharing of information and the application of Group management objectives have been driven home in order to lead to greater integrated power of the Group.

On the subject of improving our consolidated financial position, ITOCHU has reduced both total assets and interest-bearing debts, increased stockholders' equity and

thus improved its DER (Debt to Equity Ratio).

As regards the “restructuring of the management system,” a new backbone system has been implemented by introducing ERP (Enterprise Resource Planning) package. Also, the Company’s risk management system has been

reinforced and its policy has now been fully implemented at all group companies. Further, the “right person in the right place” personnel policy has been promoted, and staff education has been boosted.

Transition of Profitability and Improvement of Financial Strength

To improve and reform its profit structure and financial strength, the Company reduces total assets and interest-bearing debts by intensively allocating its resources to Attractive & Powerful (A&P) segments to increase profits in these particular areas and closing its unprofitable businesses and operations. As a result, profitability has steadily increased, while financial strength has significantly improved. The following explains the transition of profitability and improvement of financial strength through fiscal 2002, ended March 31, 2002, and the future outlook.

Gross Trading Profit

Gross trading profit in fiscal 2002 decreased by ¥32.7 billion or 5.4% on a year-to-year basis due to sluggish domestic and foreign economies, especially in the U.S.

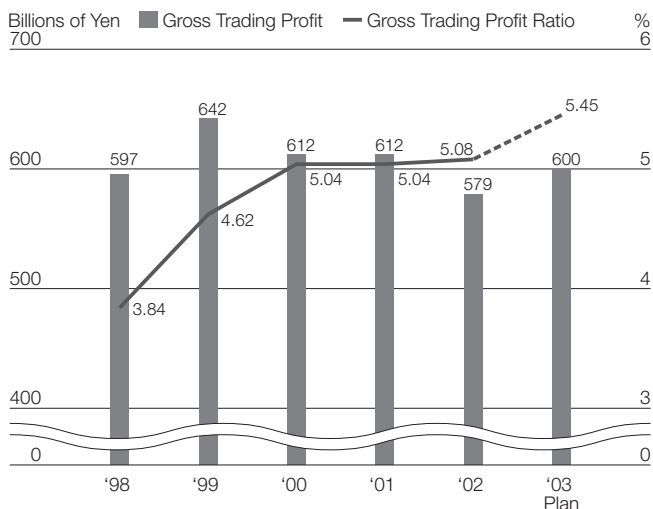
However, this should be interpreted as a virtual increase of about ¥9.0 billion and the Company’s profitability remains high under the harsh business environment, when taking into consideration the absence in fiscal 2002 of ¥28.6 billion earned by U.S. leasing subsidiaries, which were sold during the previous fiscal year, and approximately ¥13.0 billion decrease caused by the transfer of steel operations to Marubeni-Itochu Steel Inc. In addition, our gross trading profit ratio reached a record of 5.08%. In fiscal 2003, the Company forecasts ¥600 billion in gross trading profit through strengthened profitability in our textile retail business, contributions from new businesses such as our Do-it-Yourself (DIY) stores, increased sales in our overseas tire business, and recovery of markets, including chemical products and the U.S. economy.

Trading Income

Trading income in fiscal 2002 decreased by ¥12.1 billion or 11.1% to ¥96.5 billion. Provision for doubtful accounts significantly improved by ¥32.9 billion on a year-to-year basis, while gross trading profit decreased, in addition, selling, general and administrative expenses increased by ¥12.3 billion on a year-to-year basis, due to an increase in pension expenses of ¥7.0 billion, and new investments at IT-related subsidiaries. However, this should be interpreted as a virtual increase of about ¥5.0 billion and the Company’s earning power remains high under the harsh business environment, when taking into consideration the absence of ¥15.4 billion earned by U.S. leasing subsidiaries, which were sold during the previous fiscal year, and approximately ¥2.0 billion decrease caused by the transfer of our steel business to Marubeni-Itochu Steel Inc. In fiscal 2003, the Company forecasts ¥110.0 billion in trading income.

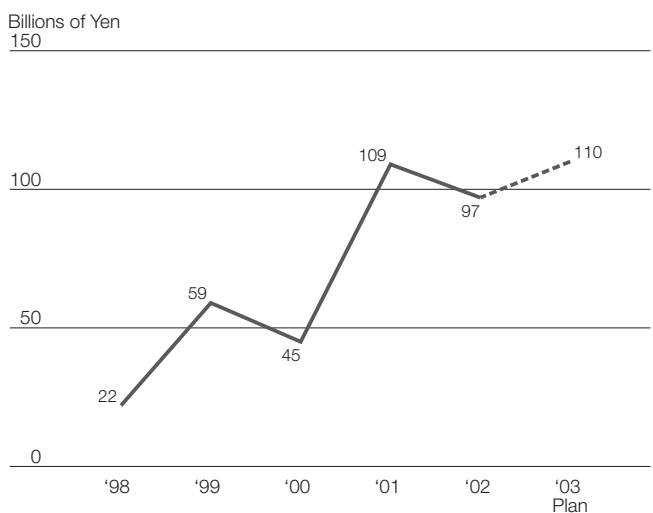
Future outlook is based on management’s assumptions and beliefs based on information currently available and involves risks and uncertainties. Factors that could cause actual results to differ materially from the outlook include, without limitation, global economic conditions, demand for and competitive pricing pressure on products and services, the Company’s ability to continue to win acceptance for its products and services in highly competitive markets, and currency exchange rate fluctuations.

Gross Trading Profit



* For fiscal years

Trading Income



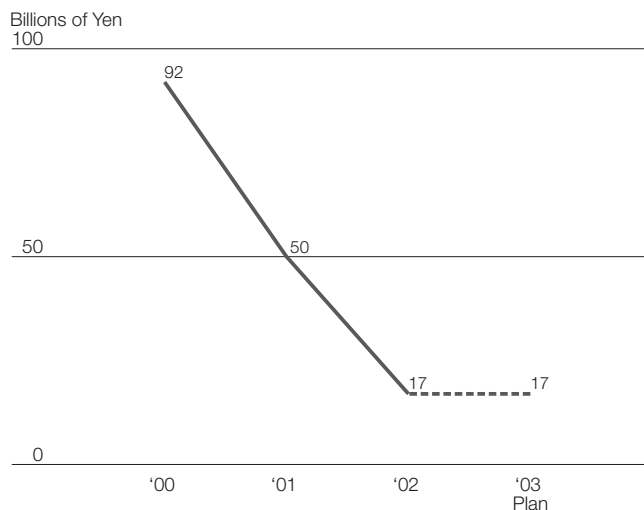
* For fiscal years

Provision for Doubtful Accounts

Provision for doubtful accounts in fiscal 2002 was ¥16.8 billion, ¥32.9 billion lower than the previous fiscal year when a large sum of doubtful accounts emerged, particularly in Asian businesses.

The Company's continuous efforts in improving financial strength and in reinforcing risk management resulted in a decreased provision for doubtful accounts from ¥92.1 billion in fiscal 2000 to ¥49.8 billion in fiscal 2001, and ¥16.8 billion in fiscal 2002. In fiscal 2003, the Company forecasts about ¥17.0 billion of provision for doubtful accounts.

Provision for Doubtful Accounts



* For fiscal years

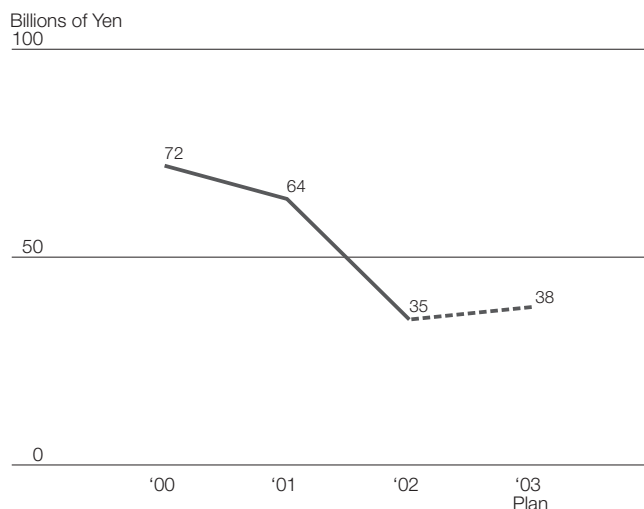
Net Interest Expenses

Net interest expenses in fiscal 2002 improved by ¥29.1 billion to ¥34.9 billion on a year-to-year basis. Interest expenses have significantly improved by ¥47.0 billion due to lower interest rates and the reduction in interest-bearing debts. In particular, U.S. dollar interest rates lowered by about 3% on a year-to-year basis.

This is a remarkable improvement compared to other major general trading companies.

In fiscal 2003, the Company foresees some increase in net interest expenses due to forecasted higher interest rates domestically and overseas, in spite of continuous efforts to reduce interest-bearing debts.

Net Interest Expenses

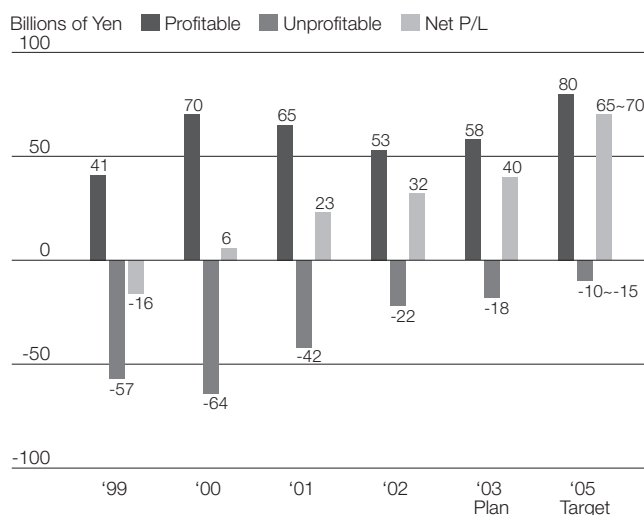


* For fiscal years

Net Income from Subsidiaries and Associated Companies

The Company has been focusing on increasing profits earned by group companies to improve consolidated net income. As a result of the Company's continuous efforts to streamline its subsidiaries and associated companies, the Company reduced the number of consolidated subsidiaries and associated companies from 1,027 at the end of fiscal 1999 to 671 at the end of fiscal 2002, and loss from unprofitable companies reduced from ¥56.6 billion in fiscal 1999 to ¥21.6 billion in fiscal 2002. During this period, net income from consolidated subsidiaries and associated companies improved by ¥47.5 billion, from ¥15.8 billion deficit in fiscal 1999 to ¥31.7 billion surplus in fiscal 2002. In fiscal 2005, the Company aims to achieve ¥65.0 billion to ¥70.0 billion of net income from subsidiaries and associated companies. This will be the net of ¥80.0 billion in profit from profitable companies and a ¥10.0 billion to ¥15.0 billion loss from unprofitable companies.

Net Income (Loss) from Subsidiaries and Associated Companies



* For fiscal years

Net Interest-Bearing Debts, Stockholders' Equity and Net DER (Debt-to-Equity Ratio)

As a result of the Company's efforts to reduce total assets and interest-bearing debts, net interest-bearing debts have significantly improved since March 2000, and stood at ¥2,296.4 billion at the end of fiscal 2002. Stockholders' equity has also steadily recovered, resulting in an improvement in net debt-to-equity ratio by 2.2 times on a year-to-year basis to 5.8 times at the end of fiscal 2002. Although the Company expects 5.1 times of net debt-to-equity ratio at the end of fiscal 2003, the Company will further promote improvement of financial strength and try to achieve a target of less than 5.0 times of net debt-to-equity ratio. Through continuous efforts to improve, the Company expects to achieve 3.0 times of net debt-to-equity ratio at the end of fiscal 2005.

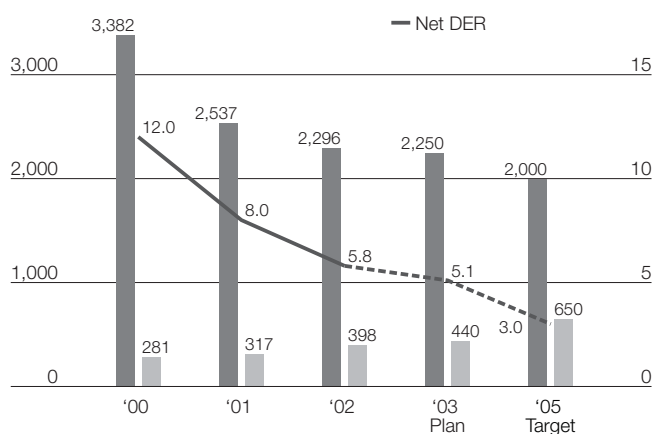
Risk Assets

(Risk Assets = Asset book value x Risk weight for each asset)

Risk assets amounted to ¥1,280.0 billion at the end of fiscal 2002, while total assets were ¥4,752.3 billion, which resulted in an almost ¥400.0 billion reduction from ¥1,680.0 billion at the end of fiscal 2000. The Company will focus on a further reduction of risk assets to approximately ¥1,200.0 billion at the end of fiscal 2005 and increase RRI (Risk Return Index), the ratio of net income to risk assets, up to 8.3%, by continuing to choose and concentrate on business segments and changing the Company's portfolio in accordance with our A&P strategy.

Net Interest-Bearing Debts, Stockholders' Equity and Net DER

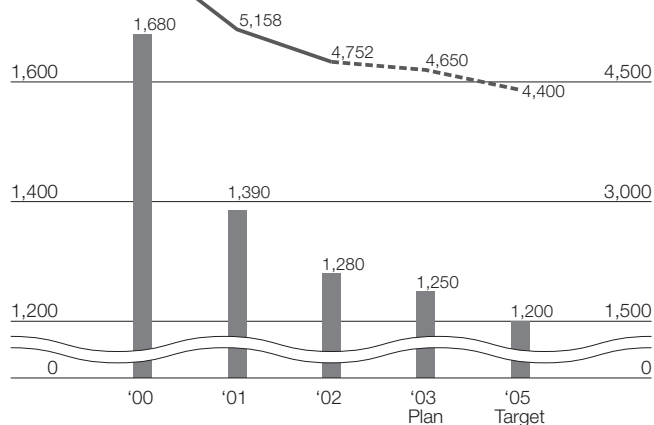
Billions of Yen ■ Net Interest-Bearing Debts ■ Stockholders' Equity — Net DER Times 20
4,000



* As of March 31

Risk Assets

Billions of Yen ■ Risk Assets — Total Assets
1,800 6,067 6,000



* As of March 31

Total Trading Transactions by Type [Compared to Fiscal 2001]

Total trading transactions for this fiscal year decreased by 6.1% or ¥734.8 billion to ¥11,400.5 billion (US\$85,557 million). Textile, Energy, Metals & Minerals and Chemicals decreased due to the sluggish domestic economy, merchandise price drop, and decelerating U.S. economy. In addition, the large transactions for submarine oil fields exploitation in Brazil in the last fiscal year, and transferring steel operations to Marubeni-Itochu Steel Inc. (down by approximately ¥280.0 billion) also had an impact on this decrease. Meanwhile, there were positive factors including yen's depreciation and steady growth in IT-related sectors, convenience stores and food-service sector.

Domestic: Domestic transactions decreased by 6.7% or ¥458.6 billion to ¥6,416.3 billion (US\$48,152 million). In textile sector decreased as a result of a decline in consumer price due to weak consumer demand. In metals sector due

Income and Expenses [Compared to Fiscal 2001]

Gross trading profit decreased by 5.4% or ¥32.7 billion to ¥578.9 billion (US\$4,344 million). In spite of favorable performances in minerals and resources subsidiaries, chemicals and energy sectors decreased due to a domestic economy slowdown and a decline in market price. Plant sector also decreased from the last fiscal year's large transaction. In addition, this gross trading profit's drop included the impact of ¥28.6 billion from selling U.S. leasing subsidiaries in the last fiscal year, and approximately ¥13.0 billion from transferring steel operations to Marubeni-Itochu Steel Inc.

Trading income decreased by 11.1% or ¥12.1 billion to ¥96.5 billion (US\$724 million). Provision for doubtful accounts improved by ¥32.9 billion to ¥16.8 billion (US\$126 million) compared to the last fiscal year in which large provision for doubtful accounts in the Asian region was recognized. Selling, general and administrative expenses, however, rose by ¥12.3 billion to ¥465.5 billion (US\$3,494 million) due to an increase of ¥7.0 billion in pension expenses, and start-up expenses in new established subsidiaries and IT-related subsidiaries. As a result, trading income decreased from last fiscal year by ¥12.1 billion. In addition, this drop in trading income included the impact of ¥15.4 billion from selling U.S. leasing subsidiaries in the last fiscal year, and approximately ¥2.0 billion from transferring steel operations to Marubeni-Itochu Steel Inc.

Net interest expenses, following a decline in domestic and overseas interest rates, improved by ¥29.1 billion to ¥34.9 billion (US\$262 million) as a result of reducing interest-bearing debts, with potentially reinforcing consolidated financial position. Dividends received increased by ¥4.5

to transferring steel operations, and in construction sector as a result of dull performances in private houses and land for sale. Meanwhile, steady growth was seen in IT-related sectors, convenience stores and food-service sector.

Imports: Import transactions decreased by 6.9% or ¥91.7 billion to ¥1,230.1 billion (US\$9,232 million). Energy transactions decreased due to a decline in market price of crude oil, gas and oil products.

Exports: Export transactions increased by 16.5% or ¥186.6 billion to ¥1,316.2 billion (US\$9,878 million), due to an increase in plant and vessel exports.

Offshore: Offshore transactions decreased by 13.2% or ¥371.1 billion to ¥2,437.8 billion (US\$18,295 million), due to a decrease in large plant transactions for the last fiscal year.

billion to ¥13.0 billion (US\$98 million) mainly from natural resources exploiting companies. Consequently, net finance expenses drastically improved by ¥33.6 billion to ¥21.9 billion (US\$165 million).

Profit on disposal of investments and marketable securities, net of write-downs, was ¥13.5 billion (US\$101 million), decreased by ¥103.6 billion from the last fiscal year in which large profits from selling such as ITOCHU Techno-Science Corporation were generated. Devaluation losses for securities of ¥51.7 billion, and restructuring losses of approximately ¥13.0 billion for withdrawing businesses were incurred. In the meantime, profit on disposal of investments of ¥57.3 billion was recognized by the Company's employer contributions by securities to an employee pension trust.

Profit (loss) on property and equipment-net was a loss of ¥7.6 billion (US\$57 million) including impairment losses for property of ¥5.2 billion. After including minority interests and other-net, income before income taxes and equity in earnings was ¥67.1 billion (US\$504 million).

Equity in earnings of associated companies increased by ¥6.1 billion to ¥11.4 billion (US\$85 million) by starting to apply the equity-method for Marubeni-Itochu Steel Inc. and due to improvement of losses on foreign exchange in Indonesian associated companies.

Net income in fiscal 2002 was ¥30.2 billion (US\$227 million), down by ¥40.3 billion from the last fiscal year, with income taxes of ¥48.3 billion (US\$362 million).

Operating Segment Information

Textile: Total trading transactions decreased by 6.8% or ¥63.9 billion to ¥880.1 billion (US\$6,605 million) due to a decline in consumer price in addition to concerns about credit for the distribution industry. Gross trading profit increased by ¥2.2 billion to ¥83.5 billion (US\$627 million) due to an increase from new consolidated subsidiaries. Trading income decreased by ¥4.1 billion to ¥18.1 billion (US\$135 million) due to advance expenses for future development and an increase in expenses by new consolidated subsidiaries. Net income increased by ¥1.1 billion to ¥8.3 billion (US\$62 million) due to a decrease in disposal losses for investments.

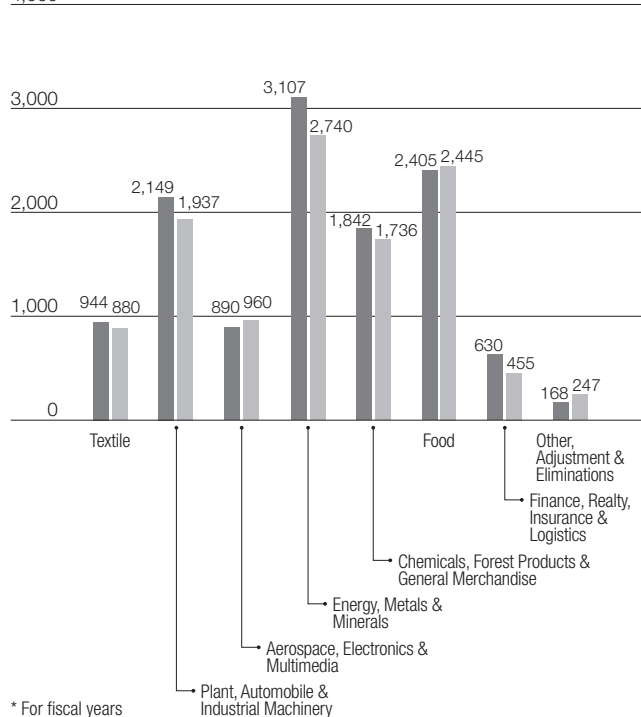
Plant, Automobile & Industrial Machinery: Total trading transactions decreased by 9.9% or ¥212.2 billion to ¥1,937.3 billion (US\$14,539 million) due to an absence of large plant transactions during the last fiscal year, and to a decline in motor vehicle exports to Europe. Gross trading profit decreased by ¥5.4 billion to ¥50.2 billion (US\$377 million) due to a decrease in large plant project transactions and to sluggish performances in semiconductor, industrial and textile machinery. Trading loss improved by ¥4.4 billion to ¥4.7 billion (US\$35 million) resulting from efforts to reduce general expenses, and from a decrease in provision for doubtful accounts. Net income improved by ¥11.3 billion to ¥1.3 billion (US\$10 million) from fiscal 2001's loss of ¥10.0 billion following foreign exchange gain due to yen's depreciation, and an increase in equity in earnings of associated companies.

Aerospace, Electronics & Multimedia: Total trading transactions increased by 7.9% or ¥70.1 billion to ¥960.3 billion (US\$7,207 million) because of favorable performances in IT-related sectors. Gross trading profit increased by ¥2.1 billion to ¥112.6 billion (US\$845 million) due to a decline in trading profit ratio despite an increase in total trading transactions. Trading income decreased by ¥12.9 billion to ¥28.2 billion (US\$212 million) due to an increase in start-up operating expenses especially in IT-related sectors. Net income decreased by ¥54.3 billion to ¥36.3 billion (US\$273 million) as a result of a decrease in profit on sales of investments in addition to the decline in trading income.

Energy, Metals & Minerals: Total trading transactions decreased by 11.8% or ¥366.7 billion to ¥2,740.0 billion (US\$20,563 million) with a decrease in the energy sector partly due to terrorist attacks in U.S., in addition to a decrease in the metal sector effected by transferring steel operations to Marubeni-Itochu Steel Inc. Accordingly, gross trading profit decreased by ¥14.9 billion to ¥52.7 billion (US\$395 million), and trading income decreased by ¥3.4 billion to ¥17.2 billion (US\$129 million). Net income, however, increased by ¥2.7 billion to ¥9.5 billion (US\$71 million) due to an increase in dividend received from LNG sector, and contribution from steady growth of overseas metal and materials-related affiliates.

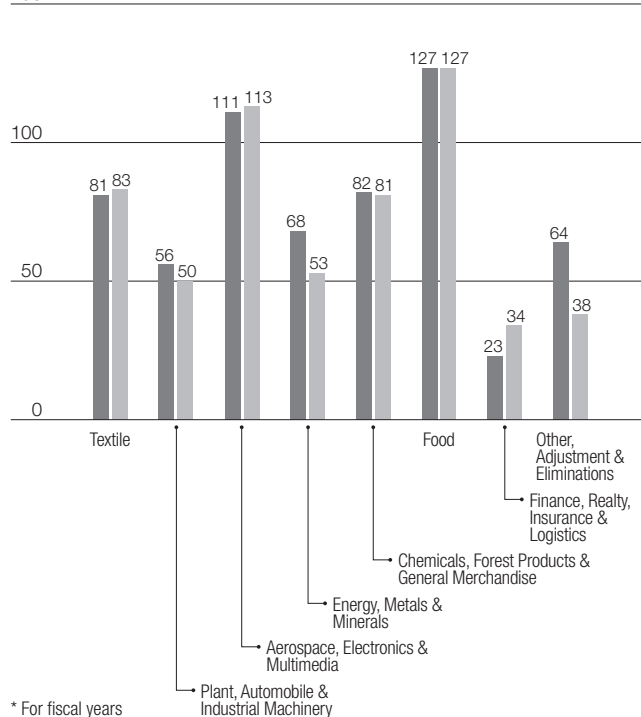
Total Trading Transactions by Operating Segment

Billions of Yen ■ 2001 ■ 2002
4,000



Gross Trading Profit by Operating Segment

Billions of Yen ■ 2001 ■ 2002
150



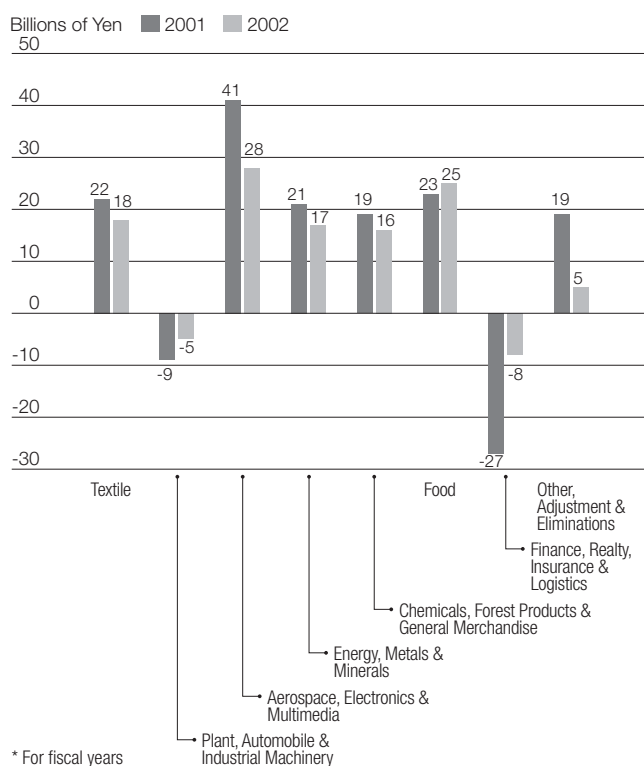
Chemicals, Forest Products & General Merchandise: Total trading transactions decreased by 5.8% or ¥106.0 billion to ¥1,735.8 billion (US\$13,027 million) due to a decline in basic chemicals and synthetic resins markets. Gross trading profit decreased by ¥1.8 billion to ¥80.7 billion (US\$605 million) following a decline in total trading transactions and deteriorated trading profit ratio in lumber and paper & pulp sectors. Trading income decreased by ¥3.1 billion to ¥15.8 billion (US\$118 million) because of a drop in gross trading profit in addition to increased expenses in subsidiaries. Net loss showed ¥0.2 billion (US\$2 million), deteriorated by ¥2.6 billion from ¥2.4 billion of net income for the last fiscal year, resulting from an increase in revaluation losses for investments in the paper & pulp sector.

Food: Total trading transactions increased by 1.7% or ¥40.5 billion to ¥2,445.2 billion (US\$18,351 million) due to steady growth in convenience stores and food-services sector, in spite of weak consumption and dull international goods market. Gross trading profit, however, decreased by ¥0.6 billion to ¥126.9 billion (US\$952 million) due to a decrease in food materials and stock farm products. Trading income increased by ¥2.0 billion to ¥24.5 billion (US\$184 million) due to a decrease in provision for doubtful accounts. Net income increased by ¥1.4 billion to ¥9.6 billion (US\$72 million) due to an increase in profit on sales of investments in addition to the rise in trading income.

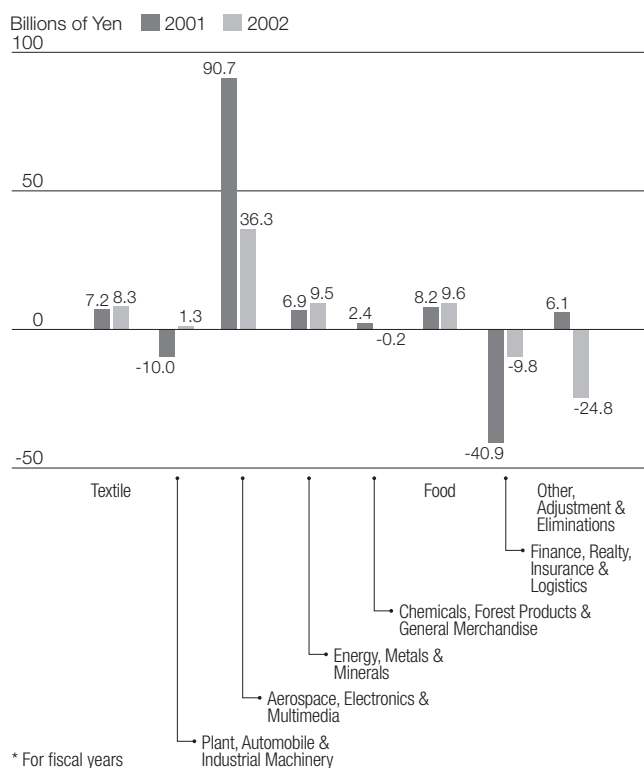
Finance, Realty, Insurance & Logistics: Total trading transactions decreased by 27.8% or ¥174.9 billion to ¥455.3 billion (US\$3,417 million) due to dull performances in private houses, land for sale, contract and mediation following a decline in market price, despite favorable performances in the condominiums business. Gross trading profit increased by ¥11.6 billion to ¥34.4 billion (US\$258 million) due to a decrease in devaluation and disposal losses of realty for sale, and to favorable performances in the condominiums business in this fiscal year. Trading loss improved largely by ¥18.9 billion to ¥7.9 billion (US\$59 million) due to a decrease in provision for doubtful accounts in addition to a rise in gross trading profit. Net loss also improved by ¥31.1 billion to ¥9.8 billion (US\$74 million) resulting from the drastically improved trading loss.

Other, Adjustment & Eliminations: Total trading transactions increased by 46.5% or ¥78.3 billion to ¥246.4 billion (US\$1,849 million) due to an increase in overseas transactions with the effect of yen's depreciation. Gross trading profit decreased by ¥25.9 million to ¥38.0 billion (US\$285 million) mainly due to sale of investments in U.S. leasing subsidiaries during the last fiscal year. Trading income decreased by ¥13.9 billion to ¥5.3 billion (US\$40 million) accordingly. Net loss was ¥24.8 billion (US\$186 million) for this fiscal year, deteriorated by ¥30.9 billion from ¥6.1 billion of net income for the last fiscal year, resulting from revaluation losses for marketable securities of banks etc., in addition to a decrease in profit on sales of investments in U.S. leasing subsidiaries during the last fiscal year.

Trading Income (Loss) by Operating Segment



Net Income (Loss) by Operating Segment



Geographical Segment Information

Japan: Total trading transactions decreased by 7.5% or ¥736.7 billion to ¥9,077.2 billion (US\$68,121 million) due to a decrease from transferring steel operations to Marubeni-Itochu Steel Inc., and to dull performances in private houses, land for sale, contract and mediation business. Trading income, however, increased by ¥14.2 billion to ¥69.3 billion (US\$520 million) due to favorable performances in IT-related sectors, convenience stores and food-services sector.

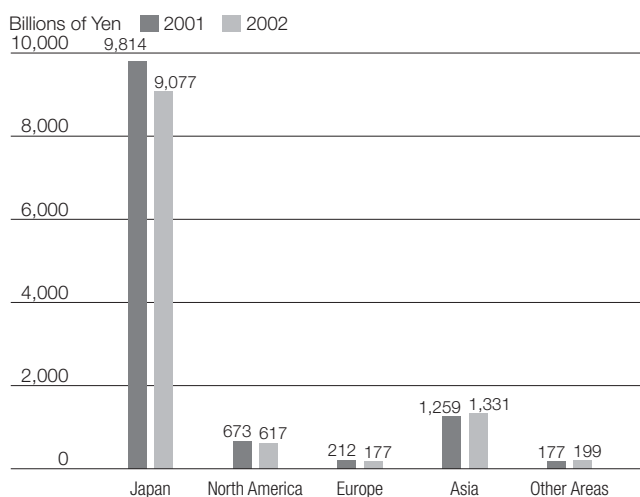
North America: Total trading transactions decreased by 8.3% or ¥56.0 billion to ¥616.6 billion (US\$4,628 million) due to a decrease in the energy sector with a decline in market price, in addition to metal sector's decrease with the effect of transferring steel operations to Marubeni-Itochu Steel Inc. Trading income decreased by ¥27.7 billion to ¥5.8 billion (US\$44 million) due to a decrease from selling investments in U.S. leasing subsidiaries, in addition to sluggish performances in the used vehicles lease business.

Europe: Total trading transactions decreased by 16.6% or ¥35.2 billion to ¥176.9 billion (US\$1,328 million), resulting from liquidation of vehicles-related subsidiaries. Trading income decreased by ¥5.3 billion to ¥4.2 billion (US\$32 million) accordingly.

Asia: Total trading transactions increased by 5.7% or ¥71.9 billion to ¥1,331.0 billion (US\$9,989 million) due to the effect of yen's depreciation. Trading income increased by ¥2.4 billion to ¥5.6 billion (US\$42 million) accordingly.

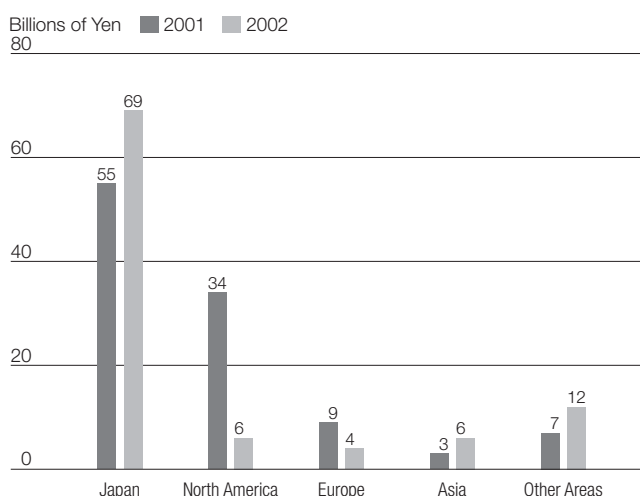
Other Areas: Total trading transactions increased by 12.0% or ¥21.2 billion to ¥198.7 billion (US\$1,491 million) due to the effect of yen's depreciation. Trading income increased by ¥4.3 billion to ¥11.6 billion (US\$87 million) accordingly.

Total Trading Transactions by Geographical Segment



* For fiscal years

Trading Income (Loss) by Geographical Segment



* For fiscal years

Performance of Consolidated Subsidiaries and Associated Companies

For the fiscal year ended March 31, 2002, the Company's consolidated results included 491 consolidated subsidiaries (246 domestic and 245 overseas) and 180 equity-method

associated companies (85 domestic and 95 overseas) totaling 671 companies. The following table presents information regarding the profitability of these companies.

Share of Profitable Group Companies

	2002			2001		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Profitable companies	262	249	511	268	276	544
Group companies	331	340	671	370	370	740
Profitable ratio	79.2%	73.2%	76.2%	72.4%	74.6%	73.5%

Profit of Profitable Group Companies and Loss of Unprofitable Companies

	Billions of Yen					
	2002			2001		
	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Profit (Loss)	57.9	(22.5)	35.4	94.2	(42.6)	51.6

Major Profitable Group Companies

	*Net Income Billions of Yen	
	2002	2001
Consolidated Subsidiaries		
ITOCHU Techno-Science Corporation (Sales, system integration and services of computer networks and equipment)	¥5.7	8.3
ITOCHU Oil Exploration Co., Ltd. (Exploration and production of hydrocarbon resources)	1.9	2.9
ITOCHU SHOKUJIN Co., Ltd. (Wholesale and distribution of foods)	1.7	1.2
ITOCHU Hong Kong Ltd. (Hong Kong subsidiary)	1.4	0.8
ITOCHU Europe PLC (European subsidiary)	1.0	1.1
ITOCHU Sugar Co., Ltd. (Manufacture and processing of sugar and by-products)	0.7	1.7
ITOCHU Australia Ltd. (Australian subsidiary)	0.7	0.6
ITOCHU MARINE Co., Ltd. (Charter and operation of oil tankers, sales of bunker fuel oil)	0.6	1.4
ITOCHU Kenzai Corp. (Wholesale of wood products and building materials)	0.6	0.8
Japan Foods Co., Ltd. (Production of soft drinks)	0.5	0.4
Equity-Method Associated Companies		
MAZDA CANADA, INC. (Wholesale of motor vehicles)	1.4	0.9
Century Leasing System, Inc. (Lease of machinery and equipment)	1.0	1.1
Marubeni-Itochu Steel Inc. (Wholesale of steel products)	1.0	—

Major Unprofitable Group Companies

	*Net Income Billions of Yen	
	2002	2001
Consolidated Subsidiaries		
CIPLAS America, INC. (Wholesale of synthetic resins)	¥(0.7)	(0.4)
ITOCHU Latin America S.A. (Panama subsidiary)	(0.7)	(0.8)
ITOCHU Windows Co., Ltd. (Manufacture and sale of insulating glass)	(0.4)	0.0
Equity-Method Associated Companies		
kabu.com Securities Co., Ltd. (Online stock brokerage)	(0.5)	(0.6)

* The above figures represent the group companies' share of the net income.

Financial Position

Total Assets

Total assets as of March 31, 2002 decreased by ¥405.2 billion from March 31, 2001 to ¥4,752.3 billion (US\$35,665 million), as a result of collection of receivables, and the effect of transferring the steel operations, although including factors of the yen's depreciation, and the adoption of Statement of Financial Accounting Standards No.133 and No.138 from this fiscal year.

Cash, cash equivalents and time deposits decreased by ¥35.3 billion to ¥498.3 billion (US\$3,740 million) mainly resulting from repayment of interest-bearing debts.

Net trade receivables after deducting allowance for doubtful receivables decreased by ¥273.5 billion to ¥1,100.8 billion (US\$8,262 million) following the promoted collection of receivables. This decrease included approximately ¥160.0 billion separated by transferring steel operations to Marubeni-Itochu Steel Inc.

Due from associated companies, a component of total current assets, decreased by ¥10.1 billion to ¥96.5 billion (US\$724 million) as a result of collection of ¥ 10.0 billion loan receivable from Century Leasing System, Inc.

Inventories decreased by ¥80.1 billion to ¥426.0 billion (US\$3,197 million) due to approximately ¥50.0 billion separated by transferring steel operations to Marubeni-Itochu Steel Inc.

Investments in and advances to associated companies increased by ¥91.4 billion to ¥453.5 billion (US\$3,403 million) by acquiring new equity-method affiliates, such as Japan Brazil Paper and Pulp Resources Development Co., Ltd., and Marubeni-Itochu Steel Inc.

Other investments decreased by ¥107.4 billion to ¥422.5 billion (US\$3,171 million) by reducing values following a decline in stock market prices, and by redeeming bonds.

This decrease included approximately ¥20.0 billion separated by transferring steel operations to Marubeni-Itochu Steel Inc.

Net other non-current receivables after deducting allowance for doubtful items decreased by ¥147.0 billion to ¥334.3 billion (US\$2,509 million) as a result of collection of long-term trade and loan receivables.

Net property and equipment, at cost less accumulated depreciation decreased by ¥12.1 billion to ¥628.7 billion (US\$4,718 million) due to approximately ¥30.0 billion separated by transferring steel operations to Marubeni-Itochu Steel Inc.

In this fiscal year, prepaid pension cost recognized as a result of contributions to an employee pension trust of ¥157.1 billion is separately stated on the balance sheet.

Other assets and deferred charges increased by ¥41.1 billion to ¥147.0 billion (US\$1,103 million) because of a ¥32.0 billion increase from adopting Statement of Financial Accounting Standards No. 133 and No. 138 from this fiscal year.

Interest-Bearing Debts

Interest-bearing debts as of March 31, 2002 decreased by ¥275.8 billion from March 31, 2001 to ¥2,794.7 billion (US\$20,974 million), resulting from repayment of loans payable and redemption of debentures, with the reduction of total assets, following potent reinforcement of consolidated financial position.

This decrease included approximately ¥150.0 billion separated by transferring steel operations to Marubeni-Itochu Steel Inc.

Consequently, net debt-to-equity ratio (NET DER) showed an improvement to 5.8 from 8.0 for last fiscal year-end.

The breakdown of interest-bearing debts as of March 31, 2002 and 2001 was as follows;

	Billions of Yen		Millions of U.S. dollars
	2002	2001	2002
Short-term loans payable	¥ 494.6	676.9	\$ 3,712
Commercial paper	10.0	2.1	75
Current installments of long-term debt	335.6	322.8	2,518
Current installments of debentures	151.2	261.9	1,135
Short-term total	991.4	1,263.7	7,440
Long-term loans payable	1,420.9	1,441.7	10,663
Debentures	344.8	365.1	2,588
Long-term total	1,765.7	1,806.8	13,251
Total interest-bearing debts	2,757.1	3,070.5	20,691
Effect of SFAS 133 adoption (*)	37.6	—	283
Adjusted total interest-bearing debts	2,794.7	3,070.5	20,974
Cash, cash equivalents and time deposits	(498.3)	(533.7)	(3,740)
Net interest-bearing debts	¥2,296.4	2,536.8	\$17,234

(*) Reason for an increase in interest-bearing debts by adopting SFAS 133

With regards to hedging instruments (interest rate swap contracts) against the risks for fluctuating in fair value, the differences between fair value and carrying amount are recognized as assets or liabilities on the balance sheets. And interest-bearing debts that are designated and qualify as fair value hedges are reported at fair value, revaluing the carrying amount by the differences.

Cash Flows

Cash and cash equivalents as of March 31, 2002 was ¥479.7 billion (US\$3,600 million), increased by ¥204.8 billion from March 31, 2001. This increase resulted from promoted collection of trade receivables, collection of long-term receivables before due, and a decrease in time deposits and similar instruments, with reduction of interest-bearing debts.

Cash flows from operating activities recorded a net cash-inflow of ¥216.5 billion (US\$1,625 million), increased by ¥56.2 billion compared to the last fiscal year, which was caused by collection of trade receivables.

Net cash provided by investing activities was ¥214.0 billion

(US\$1,606 million) mainly due to collection of long-term receivables before due, and a decrease in time deposits and similar instruments. Net cash-inflow from investing activities decreased by ¥350.7 billion compared to last fiscal year, in which large cash-inflow was provided by selling the shares of ITOCHU Techno-Science Corporation, JSAT Corporation and U.S. leasing subsidiaries.

Continuous reduction of interest-bearing debts led to ¥232.0 billion (US\$1,741 million) of net cash-outflow in financing activities, decreased by ¥485.6 billion compared to the last fiscal year in which more interest-bearing debts were reduced by using more cash-inflow from investing activities.

Quarterly Information

	Billions of Yen				
	2002				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Total trading transactions	¥2,731	3,163	2,583	2,923	11,400
Gross trading profit	138	158	143	140	579
Stock price: (Yen)					
High	¥ 520	509	397	477	520
Low	427	282	269	276	269

	Billions of Yen				
	2001				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Total trading transactions	¥2,709	3,020	3,197	3,209	12,135
Gross trading profit	149	163	158	142	612
Stock price: (Yen)					
High	¥ 566	556	538	540	566
Low	426	456	460	395	395

Above figures have not been audited by independent auditors, except for the aggregate figures from the first quarter to the second, and from the first to the fourth.

New Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No.141, "Business Combinations" (SFAS 141), and Statement of Financial Accounting Standards No.142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 requires that the purchase method of accounting be used for all business combinations completed after June 30, 2001. SFAS 141 also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill. SFAS 142 requires that goodwill no longer be amortized, but instead tested for impairment at least annually. SFAS 142 also requires recognized intangible assets be amortized over their respective estimated useful lives and reviewed for impairment in accordance with Statement of Financial Accounting Standards No.121, "Accounting for the

Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121). Any recognized intangible asset determined to have an indefinite useful life will not be amortized, but instead tested for impairment until its life is determined to no longer be indefinite. The Company and its subsidiaries have adopted the provisions of SFAS 141 and SFAS 142 on April 1, 2002, with the exception of the immediate requirement to use the purchase method of accounting for all future business combinations completed after June 30, 2001. However, any goodwill and any intangible asset determined to have an indefinite useful life that is acquired in a business combinations completed after June 30, 2001 are not amortized. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 continued to be amortized through March 31, 2002. SFAS 141 requires to evaluate its existing intangible

assets and goodwill and to make any necessary reclassifications in order to conform to a new separation requirements at the date of adoption. SFAS 142 requires to reassess the useful lives and residual values of all intangible assets and make any necessary amortization period adjustments by June 30, 2002. In connection with the transitional impairment evaluation, SFAS 142 requires to perform an assessment of whether there is an indication that goodwill is impaired as of April 1, 2002. To accomplish this, the Company and its subsidiaries must (1) identify its reporting units, (2) determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets to those reporting units, and (3) determine the fair value of each reporting unit. This first step of the transitional assessment is required to be completed by September 30, 2002. If the carrying value of any reporting unit exceeds its fair value, then detailed fair values for each of the assigned assets (excluding goodwill) and liabilities are determined to calculate the amount of goodwill impairment, if any. This second step is required to be completed as soon as possible, but no later than March 31, 2003. The Company's management anticipates that by adopting SFAS 141 and SFAS 142, no longer amortization will have more considerable effects on consolidated financial statements compared to the regular amortization as ever, however the specific amounts can not be confirmed at the moment. Any transitional impairment loss resulting from the adoption of SFAS 141 and SFAS 142 is recognized as the effect of a change in accounting principle in consolidated statements of income, however, the Company's management does not anticipate a material effect on consolidated financial statements.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143), which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the

associated asset retirement costs. SFAS 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) normal use of the asset. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The Company and its subsidiaries will adopt the provision of SFAS 143 on April 1, 2003. Currently, the effect on consolidated financial statements by adopting SFAS 143 has not been reasonably estimated.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). SFAS 144 addresses financial accounting and reporting for the impairment of long-lived assets, and will supersede (a) SFAS 121 with respect to the accounting for the impairment or disposal of long-lived assets and (b) Accounting Principles Board Opinion No. 30 (APB Opinion No. 30), "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. SFAS 144 retains the requirements of SFAS 121 to (a) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and (b) measure an impairment loss as the difference between the carrying amount and fair value of the assets. SFAS 144 also requires that a long-lived asset to be abandoned, exchanged for a similar productive assets, or distributed to owners in a spin-off be considered held and used until the asset is disposed of. The Company and its subsidiaries will adopt the provision of SFAS 144 on April 1, 2002. The Company's management does not anticipate that the adoption of SFAS 144 will have a material effect on consolidated financial statements.

Management Policies for Fiscal 2003, ending March 2003

Despite the harsh business environment, ITOCHU has put its strength into two major changes - in profit structure and management system - in order to fulfill our mid-term management plan "A&P-2002." The plan addresses the reorganization of the profit structure with the following three important policies.

First, with the continued implementation of the A&P strategy, ITOCHU will speed up the establishment of profit models in the A&P segments, the reallocation of assets, and the shifts of management resources to these strategic business domains.

Second, ITOCHU will further improve our financial position and maximize earnings on a consolidated basis, firmly putting in place consolidated group management. In concrete terms, ITOCHU will eliminate remaining underperforming operations and foster core subsidiaries, while establishing the proper consolidated expense structure.

Third, in implementing our regional and market strategies, ITOCHU will build up business models based on a global viewpoint, and to construct optimal management systems suited to particular regional and market conditions. Particularly, in addition to the reconstruction of earning power in North America, local and regional trade will be expanded in the newly added A&P region of Asia (which includes China), and ITOCHU will enhance profitability through new investments. As regards innovation of management systems, ITOCHU will continue to concentrate on the four priority policies of strengthening corporate governance, establishing a management support structure, reinforcing risk management and cultivating human resources including systems.

In this way, ITOCHU plans to enhance its performance, and at the same time, continue to make contributions to regional and international communities by such means as actively addressing global environment issues.

Forecast for Fiscal 2003, ending March 2003

The recovery of the domestic economy for fiscal 2003 depends on the U.S. economic trend and fundamental reforms by the Japanese government and may possibly result in negative economic growth because of the difficulty of exiting from the deflation of Japan's economic condition despite the possible recovery of the U.S economy and a brighter global economic outlook.

The economic condition of the U.S. is expected to show a continuing recovery led by steady consumer spending in spite of uncertainties such as the rise in interest rates and oil price. There may also be seen a slow recovery in European and Asian economies due to the revival of the economy in the U.S.

Under these circumstances, ITOCHU is expecting consolidated trading transactions of 11 trillion yen for the fiscal year ending March 2003, with a consolidated net income of 50 billion yen.

Future outlook is based on management's assumptions and beliefs based on information currently available and involves risks and uncertainties. Factors that could cause actual results to differ materially from the outlook include, without limitation, global economic conditions, demand for and competitive pricing pressure on products and services, the Company's ability to continue to win acceptance for its products and services in highly competitive markets, and currency exchange rate fluctuations.

Distribution of Current Fiscal Year's Profit

ITOCHU plans to make a 5 (for the interim, 2.5) yen dividend payment per share for fiscal year ended March 2002. For fiscal year ending March 2003, ITOCHU intends to continue to make a dividend payment at 5 to 6 yen (for the interim, 2.5 to 3 yen dividend payment).

Fiscal 2003 consolidated forecast (April 2002 – March 2003)

	Billions of Yen			
	Full year		Interim	
	Forecast (2003)	Result (2002)	Forecast (2003)	Result (2002)
Total trading transactions	¥11,000	11,400	5,300	5,895
Gross trading profit	600	579	285	296
Selling, general, and administrative expenses	(473)	(466)	(230)	(236)
Provision for doubtful accounts	(17)	(17)	(7)	(9)
Trading income	110	97	48	51
Net interest expenses	(38)	(35)	(18)	(20)
Dividends	8	13	5	8
Other-net	(5)	(7)	(3)	13
Income before income taxes and equity in earnings	75	67	32	52
Income taxes	(42)	(48)	(20)	(33)
Income before equity in earnings	33	19	12	19
Equity in earnings of associated companies	17	11	8	6
Net income	50	30	20	25
Total assets	¥ 4,650	4,752		
Gross interest-bearing debts	2,750	2,795		
Net interest-bearing debts	2,250	2,296		
Total stockholders' equity	440	398		

(Note)	2003	2002
	Forecast	Result
Yen to U.S. dollars rate	130.00	124.34
Crude oil price (U.S.dollars per BBL)	22.00	22.46

Consolidated Balance Sheets

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2002 and 2001

Assets	Millions of Yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Current assets:			
Cash and cash equivalents (notes 2 and 7)	¥ 479,734	274,936	\$ 3,600,255
Time deposits (note 7)	18,599	258,732	139,580
Marketable securities (notes 2,3 and 7)	51,165	49,985	383,977
Trade receivables (note 7):			
Notes	184,957	292,166	1,388,045
Accounts	951,075	1,114,047	7,137,524
Allowance for doubtful receivables	(35,187)	(31,872)	(264,068)
Net trade receivables	1,100,845	1,374,341	8,261,501
Due from associated companies	96,477	106,591	724,030
Inventories (notes 2 and 7)	426,028	506,158	3,197,208
Advances to suppliers	52,785	44,824	396,135
Prepaid expenses	18,458	31,887	138,522
Deferred income taxes (notes 2 and 12)	31,889	33,044	239,317
Other current assets	243,073	227,157	1,824,188
Total current assets	2,519,053	2,907,655	18,904,713
Investments and non-current receivables:			
Investments in and advances to associated companies (notes 5 and 7)	453,490	362,097	3,403,302
Other investments (notes 2,3,4,7 and 8)	422,501	529,913	3,170,739
Other non-current receivables (note 7)	574,990	792,458	4,315,122
Allowance for doubtful items (notes 2 and 6)	(240,724)	(311,183)	(1,806,559)
Net investments and non-current receivables	1,210,257	1,373,285	9,082,604
Property and equipment, at cost (notes 2, 7 and 8):			
Land	264,661	283,012	1,986,199
Buildings	307,057	318,135	2,304,368
Machinery and equipment	276,772	253,734	2,077,088
Furniture and fixtures	51,216	47,823	384,360
Construction in progress	6,870	9,493	51,557
906,576	912,197	6,803,572	
Less accumulated depreciation	277,888	271,450	2,085,463
Net property and equipment	628,688	640,747	4,718,109
Prepaid pension cost (note 10)	157,121	—	1,179,144
Deferred income taxes, non-current (notes 2 and 12)	90,189	129,878	676,841
Other assets and deferred charges	147,011	105,954	1,103,272
Total	¥4,752,319	5,157,519	\$35,664,683

See accompanying Notes to Consolidated Financial Statements.

Liabilities and Stockholders' Equity	Millions of Yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Current liabilities:			
Short-term debt (notes 7 and 9)	¥ 504,616	679,039	\$ 3,786,987
Current installments of long-term debt (notes 7 and 9)	486,794	584,675	3,653,238
Trade payables:			
Notes and acceptances (note 7)	196,301	293,769	1,473,178
Accounts	791,713	856,626	5,941,561
Total trade payables	988,014	1,150,395	7,414,739
Due to associated companies	36,799	29,611	276,165
Income taxes payable (note 12)	20,050	27,628	150,469
Accrued expenses	99,587	104,141	747,370
Advances from customers	59,126	60,537	443,722
Deferred income taxes (notes 2 and 12)	11	13	83
Advances and deposits received	148,567	181,102	1,114,949
Total current liabilities	2,343,564	2,817,141	17,587,722
Long-term debt, excluding current installments (notes 7 and 9)	1,863,629	1,868,185	13,985,959
Accrued retirement and severance benefits (note 10)	18,366	49,089	137,831
Deferred income taxes, non-current (notes 2 and 12)	12,600	7,647	94,559
Minority interests	116,492	98,517	874,237
Stockholders' equity:			
Common stock:			
Authorized 3,000,000,000 shares; issued and outstanding 1,425,487,736 shares 2002			
1,425,487,736 shares 2001 (note 15)	174,749	174,749	1,311,437
Capital surplus (notes 15 and 16)	111,348	112,691	835,632
Legal reserve (note 16)	3,410	2,614	25,591
Retained earnings (note 16)	128,468	108,421	964,113
Accumulated other comprehensive income (loss) (notes 2, 3, 10 and 17)	(20,264)	(81,535)	(152,075)
Treasury stock	(43)	—	(323)
Total stockholders' equity	397,668	316,940	2,984,375
Contingent liabilities (note 21)			
Total	¥4,752,319	5,157,519	\$35,664,683

Consolidated Statements of Income

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
Total trading transactions (notes 2, 5 and 14)	¥11,400,471	12,135,261	12,144,445	\$85,557,006
Gross trading profit (note 14)	¥ 578,867	611,600	612,348	\$ 4,344,218
Selling, general and administrative expenses	465,519	453,221	475,538	3,493,576
Provision for doubtful accounts	16,831	49,759	92,112	126,312
Trading income (note 14)	96,517	108,620	44,698	724,330
Other income (expenses):				
Interest income	33,895	51,848	67,288	254,372
Interest expense	(68,834)	(115,848)	(139,787)	(516,578)
Dividends	12,997	8,465	9,464	97,539
Profit on disposal of investments and marketable securities, net of write-downs (notes 3, 8 and 19)	13,502	117,065	44,290	101,328
Profit (loss) on property and equipment-net (note 8)	(7,622)	2,611	(105,956)	(57,201)
Minority interests	(11,093)	(8,789)	(2,622)	(83,249)
Other-net	(2,260)	333	(10,919)	(16,961)
	(29,415)	55,685	(138,242)	(220,750)
Income (loss) before income taxes and equity in earnings (losses)	67,102	164,305	(93,544)	503,580
Income taxes (notes 2 and 12):				
Current	38,227	67,117	53,841	286,882
Deferred	10,046	31,906	(62,094)	75,392
	48,273	99,023	(8,253)	362,274
Income (loss) before equity in earnings (losses)	18,829	65,282	(85,291)	141,306
Equity in earnings (losses) of associated companies (note 5)	11,362	5,225	(2,980)	85,268
Net Income (loss)	¥ 30,191	70,507	(88,271)	\$ 226,574

	Yen			U.S. dollars (Note 1)
	2002	2001	2000	2002
Net Income (loss) per ten common shares (notes 2 and 13):				
Basic	¥ 212	495	(619)	\$ 1.59
Diluted	212	459	(619)	1.59

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
Common stock:				
Balance at beginning of year	¥174,749	174,721	174,712	\$1,311,437
Conversion of convertible bonds	—	28	9	—
Balance at end of year (note 15)	¥174,749	174,749	174,721	\$1,311,437
Capital surplus:				
Balance at beginning of year	¥112,691	222,462	223,184	\$ 845,711
Conversion of convertible bonds	—	28	9	—
Transfer to retained earnings (deficit)	—	(109,799)	—	—
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies	(1,343)	—	(731)	(10,079)
Balance at end of year (notes 15 and 16)	¥111,348	112,691	222,462	\$ 835,632
Legal reserve:				
Balance at beginning of year	¥ 2,614	20,243	20,098	\$ 19,617
Transfer from (to) retained earnings (deficit)	1,180	(17,506)	327	8,856
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies	(384)	(123)	(182)	(2,882)
Balance at end of year (note 16)	¥ 3,410	2,614	20,243	\$ 25,591
Retained earnings (deficit):				
Balance at beginning of year	¥108,421	(89,514)	(1,829)	\$ 813,666
Net income (loss)	30,191	70,507	(88,271)	226,574
Cash dividends	(10,691)	—	—	(80,232)
Transfer from capital surplus	—	109,799	—	—
Transfer from (to) legal reserve	(1,180)	17,506	(327)	(8,856)
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies	1,727	123	913	12,961
Balance at end of year (note 16)	¥128,468	108,421	(89,514)	\$ 964,113
Accumulated other comprehensive income (loss) (notes 2, 3, 10 and 17):				
Balance at beginning of year	¥ (81,535)	(46,587)	(110,651)	\$ (611,895)
Other comprehensive income (loss)	61,271	(34,948)	64,064	459,820
Balance at end of year	¥ (20,264)	(81,535)	(46,587)	\$ (152,075)
Treasury stock:				
Balance at end of year	¥ (43)	—	—	\$ (323)
Total	¥397,668	316,940	281,325	\$2,984,375
Comprehensive income (loss):				
Net income (loss)	¥ 30,191	70,507	(88,271)	\$ 226,574
Other comprehensive income (loss) (notes 2, 3, 10 and 17)	61,271	(34,948)	64,064	459,820
Total	¥ 91,462	35,559	(24,207)	\$ 686,394

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
Cash flows from operating activities:				
Net income (loss)	¥ 30,191	70,507	(88,271)	\$ 226,574
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	35,839	31,854	38,654	268,961
Provision for doubtful accounts	16,831	49,759	92,112	126,311
Net loss (profit) on marketable securities, investments, property and equipment ..	(5,880)	(119,676)	63,354	(44,128)
Undistributed losses (earnings) of associated companies	(4,566)	(1,133)	8,805	(34,266)
Deferred income taxes	10,046	31,906	(62,094)	75,392
Other non-cash charges	10,031	18,574	15,865	75,280
Change in assets and liabilities:				
Trade receivables	194,853	14,232	118,744	1,462,311
Due from associated companies	(1,909)	(6,923)	2,214	(14,327)
Inventories	48,361	(8,592)	105,355	362,934
Trade payables	(53,715)	13,251	(12,016)	(403,114)
Due to associated companies	11,969	7,964	(8,362)	89,824
Other - net	(75,548)	58,612	(49,544)	(566,964)
Net cash provided by operating activities	216,503	160,335	224,816	1,624,788
Cash flows from investing activities:				
Payments for purchase of property and equipment	(38,257)	(46,633)	(103,549)	(287,107)
Proceeds from sale of property and equipment	11,853	48,094	75,075	88,953
Net decrease (increase) in investments in and advances to associated companies ..	(50,895)	100,924	43,605	(381,951)
Payments for purchase of other investments	(66,989)	(58,852)	(41,078)	(502,732)
Proceeds from sale of other investments	46,899	92,558	142,425	351,963
Proceeds from sale of subsidiaries' common stock	13,282	168,911	141,238	99,677
Origination of other non-current receivables	(60,650)	(125,674)	(216,277)	(455,159)
Collections of other non-current receivables	115,130	234,838	185,158	864,015
Net decrease (increase) in time deposits and similar instruments	238,982	160,813	(124,122)	1,793,486
Net decrease (increase) in marketable securities	4,653	(10,272)	95,183	34,919
Net cash provided by investing activities	214,008	564,707	197,658	1,606,064
Cash flows from financing activities:				
Proceeds from long-term debt	492,770	166,049	1,020,099	3,698,086
Repayments of long-term debt	(630,515)	(755,351)	(866,967)	(4,731,820)
Net decrease in short-term debt	(86,856)	(133,616)	(526,095)	(651,827)
Proceeds from issuance of common stock to minority shareholders	6,475	7,538	54,287	48,593
Cash dividends	(10,691)	—	—	(80,233)
Cash dividends to minority shareholders	(3,187)	(2,222)	(1,742)	(23,917)
Other	(43)	—	—	(323)
Net cash used in financing activities	(232,047)	(717,602)	(320,418)	(1,741,441)
Effect of exchange rate changes on cash and cash equivalents	6,334	3,309	(5,992)	47,535
Net increase in cash and cash equivalents	204,798	10,749	96,064	1,536,946
Cash and cash equivalents at beginning of year	274,936	264,187	168,123	2,063,309
Cash and cash equivalents at end of year	¥ 479,734	274,936	264,187	\$3,600,255
Supplemental disclosures of cash flow information				
Cash paid during the year for:				
Interest	¥ 74,748	122,792	140,364	\$ 560,961
Income taxes	46,228	74,568	47,806	346,927
Information regarding non-cash investing and financing activities:				
Establishment of pension trust	85,016	45,846	—	638,019
Non-monetary exchange of shares	—	27,410	—	—
Shares acquired in a spin-off enterprise				
Assets contributed	306,916	—	—	2,303,310
Liabilities contributed	276,491	—	—	2,074,979
Shares acquired	30,425	—	—	228,330
Conversion of convertible bonds	—	56	18	—

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

ITOCHU Corporation and Subsidiaries

1. Basis of Financial Statement Presentation and Translation

The Company and its subsidiaries in Japan maintain their books of account in conformity with financial accounting standards of Japan. The consolidated financial statements presented herein are expressed in yen and have been prepared in a manner that reflects the adjustments which are necessary to conform with United States generally accepted accounting principles.

Supplementary, however, the Japanese yen amounts as of and

for the year ended March 31, 2002 have also been translated into United States dollar amounts, solely for the convenience of the reader, at the rate of ¥133.25 = U.S.\$1, the exchange rate prevailing on March 31, 2002. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars at that rate.

2. Summary of Significant Accounting Policies

Description of Business

ITOCHU Corporation is one of the major Japanese "sogo shosha," or general trading companies.

As a "Globally Integrated Corporation," ITOCHU and its subsidiaries purchase, distribute and market a wide variety of commodities including raw materials, capital goods, and consumer goods, whether for Japanese domestic trade, trade between Japan and other nations, or trade between third-party nations. In view of total trading transactions, ITOCHU ranks as one of the top enterprises in the world. Approximately 56% of the Company's total trading transactions in 2002 amounting to ¥11,400 billion (\$85,557 million), were generated through Japanese domestic trade, with 11% in imports to Japan, 12% in exports from Japan, and 21% in offshore trade. By principal products, total trading transactions were distributed as follows: textile-8%, plant, automobile & industrial machinery-17%, aerospace, electronics & multimedia-8%, energy, metals & minerals-24%, chemicals, forest products & general merchandise-15%, food-22%, and realty & other-6%.

The Company and its subsidiaries not only operate worldwide with trading in various commodities but also provide various services, such as financing arrangements for customers and suppliers, planning and coordinating industrial projects, and gathering extensive information. To provide these services, ITOCHU operates in a wide range of business activities-developing market potential, providing services for logistics and transportation and for information and communications, engaging in construction, developing resources, functioning as an organizer, investing in the growing high-technology and multimedia fields, and promoting environmental protection.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its foreign and domestic subsidiaries. The accounts of the subsidiaries are included on the basis of their respective fiscal periods, which end mainly on or near March 31.

The assessment of whether a company is recognized as a subsidiary is based on a calculation which includes contributed shares to a pension trust in voting shares. The Company maintains the right to vote for contributed shares to a pension trust, but the right to dispose of them is executed by the trustee. This equity in contributed shares to a pension trust is included in minority interests in the consolidated financial statements.

Investments in associated companies (generally companies owned 20% to 50%) are recorded at cost plus the companies' equity in undistributed earnings and losses of such companies since acquisition. The excess of cost over the net assets acquired is allocated to identifiable assets based on fair values at the date of acquisition. The unassigned residual value of the excess of the cost over the net assets is amortized over periods not exceeding 40 years, except that goodwill recognized after June 30, 2001 is not amortized.

Trading Transactions

The Company and certain subsidiaries act as either principal or agent in their trading transactions. Title to and payment for the goods pass through the companies without physical acquisition and delivery in certain transactions in which the companies act as principal.

Total trading transactions shown in the consolidated statements of income consist of sales with respect to transactions in which the companies act as principal, including sales of real estate, and the total amount of transactions in which the companies act as agent.

Gross trading profit represents gross margins with respect to transactions as principal and commissions with respect to transactions as agent.

Income Taxes

The Company and its subsidiaries utilize the asset and liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards No. 109.

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Cash Equivalents

For the purpose of the Statements of Cash Flows, the Company and its subsidiaries consider highly liquid investments with insignificant risk of changes in value to be cash equivalents.

Marketable Securities and Other Investments

The Company and its subsidiaries have adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115). SFAS 115 requires that certain investments in debt and equity securities be classified as held-to-maturity, trading and available-for-sale. Those securities classified as held-to-maturity would be reported at amortized cost. Unrealized holding gains and losses for trading securities shall be included in earnings. Unrealized holding gains and losses for available-for-sale securities shall be excluded from earnings and reported in other comprehensive income (loss) net of taxes. The cost of securities is determined using the average-cost method. Other investments other than marketable securities are stated at cost or less.

Inventories

Inventories are stated at the lower of cost or market, cost being determined principally by the specific identification method.

Impaired Loans and Allowance for Doubtful Items

The Company and its subsidiaries have measured certain impaired loans based on the present value of expected future cash flows discounted at the loan's effective interest rate, or based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent, and a valuation allowance is created if the measure of the impaired loan is less than the recorded amounts, in accordance with Statement of Financial Accounting Standards No.114 and No.118.

The Company and its subsidiaries have recognized interest income on impaired loans principally on a cash basis.

In addition, the allowance for doubtful items was established on certain loans which were not recognized as impaired at the date of the fiscal year-end, determined by management's assessment of past experiences, economic conditions, and other pertinent indicators.

Derivative Financial Instruments (prior to adoption of SFAS 133 and SFAS 138)

Derivative financial instruments are utilized by the Company and certain subsidiaries to hedge interest rate and foreign exchange risks that may be adversely affected by changes in interest rates and exchange rates.

Foreign exchange contracts (inclusive of currency swap agreements)

Market value gains and losses are recognized on monetary items and included in foreign exchange gains or losses.

Interest rate swap agreements

The amounts of interest income or expense under the swap agreements are accrued and recognized as interest related to the assets and liabilities over the contract period.

Interest rate option agreements

Premiums paid or received for interest rate option agreements are amortized or accumulated to interest expense or interest received over the terms of interest rate option agreements.

Derivative Instruments (subsequent to adoption of SFAS 133 and SFAS 138)

The Company and its subsidiaries adopted Statement of Financial Accounting Standards No.133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) and Statement of Financial Accounting Standards No.138, "Accounting for Derivative Instruments and Hedging Activities, an Amendment of SFAS 133" (SFAS 138) at the beginning of the first half of fiscal 2001 on April 1, 2001.

SFAS 133 and SFAS 138 require that all derivative instruments, such as foreign exchange contracts, interest rate swap contracts and commodity price contracts, be recognized in the financial statements and measured at fair value, regardless of the purpose or intent for holding them, as either assets or liabilities.

The accounting for changes in cash flow or fair value depends on the intended use of the derivative instrument and resulting hedge effectiveness.

All derivative instruments are recognized on the balance sheet at

their fair value. The Company and its subsidiaries designate and account for derivative instruments as follows:

- "Fair value hedge": a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment. The changes in fair value of recognized assets or liabilities or unrecognized firm commitments and related derivative instruments that are designated and qualify as fair value hedges are recorded in earnings if the hedges are considered highly effective.

- "Cash flow hedge": a hedge of the variability of cash flow to be received or paid related to an unrecognized forecast transaction or a recognized asset or liability. The changes in fair value of derivative instruments that are designated and qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss) if the hedges are considered highly effective.

This treatment is continued until earnings are affected by the variability in cash flows to be received or paid related to the unrecognized forecast transactions or the recognized assets or liabilities designated as the hedged items. The ineffective portion of the hedge is reported in earnings.

- "Foreign currency hedge": a hedge of foreign-currency fair value or cash flow. The changes in fair value or cash flow of recognized assets or liabilities, unrecognized firm commitments or forecast transactions and derivatives that are designated and qualify as foreign-currency fair value or cash flow hedges are recorded in either earnings or accumulated other comprehensive income (loss) if the hedges are considered highly effective.

Recognition in earnings or accumulated other comprehensive income (loss) is dependent on the treatment of foreign currency hedges as fair value hedges or cash flow hedges.

The Company and its subsidiaries meet the documentation requirements as prescribed by SFAS 133 and SFAS 138, which include their risk-management objective and strategy for undertaking various hedge transactions.

In addition, a formal assessment is made at the hedge's inception and periodically on an on-going basis, as to whether the derivatives used in hedging activities are highly effective in off-setting changes in fair values or cash flows of hedged items.

Hedge accounting is discontinued for ineffective hedges, if any. Discontinued hedges are recognized in earnings currently. The changes in fair value of derivative instruments for trading purposes are recorded in earnings.

Issuance of Stock by Subsidiaries or Associated Companies

With respect to such transactions as a subsidiary or an associated company issuing its shares to third parties, the resulting gains or losses arising from the change in interest of the Company are recorded in income or loss for the period when such shares are issued.

Depreciation

Depreciation of property and equipment (including property leased to others) is computed principally by the straight-line method using rates based upon the estimated useful lives of the related units of property.

Net Income (Loss) Per Ten Shares

Net income (loss) per ten shares is computed based on the weighted average number of shares of common stock outstanding. Diluted net income (loss) per ten shares is computed reflecting potentially dilutive securities.

Comprehensive Income (Loss)

The Company and its subsidiaries have adopted Statement of Financial Accounting Standards No.130, "Reporting Comprehensive Income" (SFAS 130). This statement establishes standards for the reporting and display of comprehensive income (loss) and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements and requires that all items be reported in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income (loss) consists of net income (loss), foreign currency translation adjustments, change in minimum pension liability adjustments, change in net unrealized gains or losses on marketable securities and other investments, and change in net unrealized gains or losses on derivative instruments.

Use of Estimates

Management of the Company has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

New Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No.141, "Business Combinations" (SFAS 141), and Statement of Financial Accounting Standards No.142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 requires that the purchase method of accounting be used for all business combinations completed after June 30, 2001. SFAS 141 also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill. SFAS 142 requires that goodwill no longer be amortized, but instead tested for impairment at least annually. SFAS 142 also requires recognized intangible assets be amortized over their respective estimated useful lives and reviewed for impairment in accordance with Statement of Financial Accounting Standards No.121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121). Any recognized intangible asset determined to have an indefinite useful life will not be amortized, but instead tested for impairment until its life is determined to no longer be indefinite. The Company and its subsidiaries have adopted the provisions of SFAS 141 and SFAS 142 on April 1, 2002, with the exception of the immediate requirement to use the purchase method of accounting for all future business combinations completed after June 30, 2001. However, any goodwill and any intangible asset determined to have an indefinite useful life that is acquired in a business combinations completed after June 30, 2001 are not amortized. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 continued to be amortized through March 31, 2002. SFAS 141 requires to evaluate its existing intangible assets and goodwill and to make any necessary reclassifications in order to conform to a new separation requirements at the date of adoption. SFAS 142 requires to reassess the useful lives and residual values of

all intangible assets and make any necessary amortization period adjustments by June 30, 2002. In connection with the transitional impairment evaluation, SFAS 142 requires to perform an assessment of whether there is an indication that goodwill is impaired as of April 1, 2002. To accomplish this, the Company and its subsidiaries must (1) identify its reporting units, (2) determine the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets to those reporting units, and (3) determine the fair value of each reporting unit. This first step of the transitional assessment is required to be completed by September 30, 2002. If the carrying value of any reporting unit exceeds its fair value, then detailed fair values for each of the assigned assets (excluding goodwill) and liabilities are determined to calculate the amount of goodwill impairment, if any. This second step is required to be completed as soon as possible, but no later than March 31, 2003. The Company's management anticipates that by adopting SFAS 141 and SFAS 142, no longer amortization will have more considerable effects on consolidated financial statements compared to the regular amortization as ever, however the specific amounts can not be confirmed at the moment. Any transitional impairment loss resulting from the adoption of SFAS 141 and SFAS 142 is recognized as the effect of a change in accounting principle in consolidated statements of income, however, the Company's management does not anticipate a material effect on consolidated financial statements.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143), which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) normal use of the asset. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The Company and its subsidiaries will adopt the provision of SFAS 143 on April 1, 2003. Currently, the effect on consolidated financial statements by adopting SFAS 143 has not been reasonably estimated.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). SFAS 144 addresses financial accounting and reporting for the impairment of long-lived assets, and will supersede (a) SFAS 121 with respect to the accounting for the impairment or disposal of long-lived assets and (b) Accounting Principles Board Opinion No.30 (APB Opinion No.30), "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. SFAS 144 retains the requirements of SFAS 121 to (a) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and (b) measure an impairment loss as the difference between the carrying amount and fair value of the assets. SFAS 144 also requires that a long-lived asset to be abandoned, exchanged for a similar productive assets, or distributed to owners in a spin-off be considered held and used until the asset is disposed of. The Company and its subsidiaries will adopt the provision of SFAS 144 on April 1, 2002. The Company's management does not anticipate that the adoption of SFAS 144 will have a material effect on consolidated financial statements.

3. Marketable Securities and Investments

Marketable securities and investments consist of trading, available-for-sale and held-to-maturity securities. The cost, gross unrealized holding gains, gross unrealized holding losses, and fair value for such securities by major security type as of March 31, 2002 and 2001 were as follows:

	Millions of Yen			
	2002			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Current:				
Trading:				
Equity securities	¥ 36,110	4,071	17	40,164
Debt securities	3,441	—	—	3,441
	¥ 39,551	4,071	17	43,605
Available-for-sale:				
Equity securities	¥ —	—	—	—
Debt securities	887	10	—	897
	¥ 887	10	—	897
Held-to-maturity:				
Debt securities	¥ 6,663	—	73	6,590
Non-current:				
Available-for-sale:				
Equity securities	¥186,209	58,068	20,515	223,762
Debt securities	33,173	42	1,817	31,398
	¥219,382	58,110	22,332	255,160
Held-to-maturity:				
Debt securities	¥ 420	—	—	420

	Millions of Yen			
	2001			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Current:				
Trading:				
Equity securities	¥ 16,319	763	384	16,698
Debt securities	19,019	1,486	—	20,505
	¥ 35,338	2,249	384	37,203
Available-for-sale:				
Equity securities	¥ —	—	—	—
Debt securities	11,784	166	—	11,950
	¥ 11,784	166	—	11,950
Held-to-maturity:				
Debt securities	¥ 832	—	—	832
Non-current:				
Available-for-sale:				
Equity securities	¥227,366	76,712	34,675	269,403
Debt securities	54,940	29	1,130	53,839
	¥282,306	76,741	35,805	323,242
Held-to-maturity:				
Debt securities	¥ 8,002	2	170	7,834

	Thousands of U.S. dollars			
	2002			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Current:				
Trading:				
Equity securities	\$ 270,994	30,552	128	301,418
Debt securities	25,824	—	—	25,824
	\$ 296,818	30,552	128	327,242
Available-for-sale:				
Equity securities	\$ —	—	—	—
Debt securities	6,657	75	—	6,732
	\$ 6,657	75	—	6,732
Held-to-maturity:				
Debt securities	\$ 50,003	—	547	49,456
Non-current:				
Available-for-sale:				
Equity securities	\$1,397,441	435,783	153,959	1,679,265
Debt securities	248,953	315	13,636	235,632
	\$1,646,394	436,098	167,595	1,914,897
Held-to-maturity:				
Debt securities	\$ 3,152	—	—	3,152

The contractual maturities of marketable securities and investments classified as available-for-sale and held-to-maturity as of March 31, 2002 were as follows:

	Millions of Yen		Thousands of U.S. dollars	
	Cost	Fair Value	Cost	Fair Value
Available-for-sale:				
Due within one year	¥ 887	897	\$ 6,657	6,732
Due after one year through five years	12,950	12,446	97,186	93,403
Due after five years	20,223	18,952	151,767	142,229
Equity securities	186,209	223,762	1,397,441	1,679,265
	¥220,269	256,057	\$1,653,051	1,921,629
Held-to-maturity:				
Due within one year	¥ 6,663	6,590	\$ 50,003	49,456
Due after one year through five years	420	420	3,152	3,152
Due after five years	—	—	—	—
	¥ 7,083	7,010	\$ 53,155	52,608

The gross realized gains and losses on available-for-sale securities sales for the years ended March 31, 2002, 2001 and 2000 were gains of ¥19,428 million (\$145,801 thousand),

¥16,894 million and ¥39,541 million, and losses of ¥1,450 million (\$10,882 thousand), ¥6,933 million and ¥10,778 million, respectively.

4. Other Investments

Other investments at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2002	2001	2002
Securities	¥343,567	453,021	\$2,578,364
Long-term deposits	39,778	36,031	298,521
Insurance reserve, etc.	39,156	40,861	293,854
	¥422,501	529,913	\$3,170,739

5. Investment in Associated Companies

Certain financial information in respect of associated companies as of March 31, 2002 and 2001, and for the years ended March 31, 2002, 2001 and 2000 was shown below:

	Millions of Yen		Thousands of U.S. dollars
	2002	2001	2002
Current assets	¥1,576,405	1,047,339	\$11,830,431
Other assets, principally property and equipment	1,948,961	1,720,106	14,626,349
	3,525,366	2,767,445	26,456,780
Current liabilities	1,498,027	1,108,063	11,242,229
Other liabilities, principally long-term debt	1,281,534	1,021,633	9,617,516
Net assets	¥ 745,805	637,749	\$ 5,597,035

	Millions of Yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Net sales	¥3,021,776	2,305,651	2,321,896	\$22,677,493
Net earnings (losses)	40,192	25,395	(7,187)	301,629
Companies' equity in net earnings (losses)	11,362	5,225	(2,980)	85,268
Cash dividends received by the companies	6,796	4,092	5,825	51,002

Included above under current assets, current liabilities, and other liabilities are amounts due to and from the Company and its subsidiaries as shown in the accompanying consolidated balance sheets.

Trading transactions of the Company and its subsidiaries with associated companies for the years ended March 31, 2002, 2001 and 2000 were summarized as follows:

	Millions of Yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Sales	¥454,618	379,972	409,133	\$3,411,767
Purchases	265,005	241,425	351,329	1,988,780

The unamortized balances of the excess of the cost of the companies' investments in associated companies over the

companies' equity in their net assets at the dates of acquisition amounted to ¥110,811 million (\$831,602 thousand) and ¥100,892 million at March 31, 2002 and 2001, respectively. Amortization charged to income for the years ended March 31, 2002, 2001 and 2000 totaled ¥3,416 million (\$25,636 thousand), ¥2,942 million and ¥3,329 million, respectively.

Investments in associated companies included securities which had quoted market values that were lower than the related carrying values totaling ¥67,868 million (\$509,328 thousand) and ¥32,663 million at March 31, 2002 and 2001, respectively.

Significant transaction with a related party was as follows: The balance of guarantees to Marubeni-Itochu Steel Inc. (Capital: ¥30,000 million (\$225,141 thousand), Ownership: 50%) at March 31, 2002 was ¥70,700 million (\$530,582 thousand).

6. Impaired Loans and Allowance for Doubtful Items

The movement in the allowance for doubtful items for the years ended March 31, 2002, 2001 and 2000 were as follows:

	Millions of Yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Balance at beginning of year	¥311,183	333,665	213,230	\$2,335,332
Increased in the allowance	59,457	76,034	138,690	446,206
Decreased in the allowance	(129,916)	(98,516)	(18,255)	(974,979)
Balance at end of year	¥240,724	311,183	333,665	\$1,806,559

The carrying amounts of the impaired loans within the scope of SFAS 114 as of March 31, 2002 and 2001 were ¥319,196 million (\$2,395,467 thousand) and ¥383,789 million, respectively, and the allowance for doubtful items related to those impaired loans were ¥228,828 (\$1,717,283 thousand) and ¥287,116 million, respectively. The recorded investment in the impaired loans, net of the allowance for doubtful items, is either secured by collateral

or believed to be collectible.

The average amounts of the impaired loans during the years ended March 31, 2002 and 2001 were ¥339,099 million (\$2,544,833 thousand) and ¥396,219 million, respectively. The amounts of interest income recognized on the impaired loans for the years ended March 31, 2002, 2001 and 2000 were not significant.

7. Pledged Assets

The following assets were pledged as collateral at March 31, 2002 and 2001:

	Millions of Yen		Thousands of U.S. dollars
	2002	2001	2002
Cash and cash equivalents and time deposits	¥ 2,269	93	\$ 17,028
Marketable securities	60	306	450
Trade receivables	111,959	137,503	840,218
Inventories	7,374	4,892	55,339
Investments and non-current receivables	283,944	300,736	2,130,912
Property and equipment, at cost	133,783	161,858	1,004,000
	¥539,389	605,388	\$4,047,947

Collateral was pledged to secure the following obligations at March 31, 2002 and 2001:

	Millions of Yen		Thousands of U.S. dollars
	2002	2001	2002
Short-term debt	¥ 18,581	28,869	\$ 139,445
Long-term debt	421,005	473,981	3,159,512
Guarantees of contracts, etc.	84,249	62,858	632,263
	¥523,835	565,708	\$3,931,220

In addition, acceptances payable were secured by trust receipts on merchandise and the proceeds from the sale thereof. The amount of such assets pledged was not calculable.

Both short-term and long-term loans are generally made pursuant to agreements which customarily provide that, upon the request of the lender, collateral or guarantors (or additional collateral or guarantors) will be furnished with respect to the loans under certain circumstances, and that the lender may treat any

collateral, whether furnished for specific loans or otherwise, as collateral for present and future indebtedness to such lender. A substantial portion of the companies' bank loan agreements also provide that the lending bank has the right to offset cash of the companies deposited with it against any debt (including debt arising out of contingent obligations) of the companies to the bank that has become due at stated maturity or earlier.

8. Impairment of Long-lived Assets

The Company and its subsidiaries recognized impairment losses of ¥6,992 million (\$52,473 thousand), ¥5,679 million and ¥89,309 million for the years ended March 31, 2002, 2001 and 2000, respectively, which were included in the profit (loss) on property and equipment - net account. The impaired assets included domestic commercial buildings for rent, domestic buildings for self-use and facilities of certain golf courses.

The Company also recognized impairment losses of ¥11,888

million and ¥50,900 million for the years ended March 31, 2001 and 2000, respectively, which were included in the profit on disposal of investments and marketable securities, net of write-downs account. The impaired assets included certain domestic land for development purpose. Fair value was based upon appraisals or estimates of valuation by road rating for land and replacement cost for buildings and structures.

9. Short-term and Long-term Debt

Short-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2002	2001	2002
Short-term loans, mainly from banks	¥494,616	676,924	\$3,711,940
Commercial paper	10,000	2,115	75,047
	¥504,616	679,039	\$3,786,987

Long-term debt at March 31, 2002 and 2001 was summarized below:

	Millions of Yen		Thousands of U.S. dollars
	2002	2001	2002
Banks and financial institutions:			
Secured:			
Japan Bank for International Cooperation, due 2001-2013, interest mainly 1%-9%	¥ 111,827	149,029	\$ 839,227
Other, due 2001-2023, interest mainly 1%-10%	309,178	324,752	2,320,285
Unsecured:			
Due 2001-2015, interest mainly 1%-9%	1,373,099	1,293,642	10,304,683
Debentures:			
Unsecured bonds and notes:			
Issued in 1995, 4.45% Yen Bonds due 2002	—	30,000	—
Issued in 1995, 3.05% Yen Bonds due 2001	—	100,000	—
Issued in 1995, 2.35% Yen Bonds due 2001	—	30,000	—
Issued in 1996, 3.00% Yen Bonds due 2002	50,000	50,000	375,235
Issued in 1996, 2.70% Yen Bonds due 2001	—	20,000	—
Issued in 1996, 3.15% Yen Bonds due 2003	20,000	20,000	150,094
Issued in 1997, 2.45% Yen Bonds due 2009	10,000	10,000	75,047
Issued in 1998, 2.45% Yen Bonds due 2003	70,000	70,000	525,328
Issued in 1998, 3.10% Yen Bonds due 2008	30,000	30,000	225,140
Issued in 1998, 2.00% Yen Bonds due 2002	10,000	10,000	75,047
Issued in 1998, 3.00% Yen Bonds due 2008	10,000	10,000	75,047
Issued in 1999, 2.00% Yen Bonds due 2003	20,000	20,000	150,094
Issued in 1999, 2.00% Yen Bonds due 2003	30,000	30,000	225,140
Issued in 1999, 2.20% Yen Bonds due 2004	10,000	10,000	75,047
Issued in 1999, 1.93% Yen Bonds due 2004	10,000	10,000	75,047
Issued in 1999, 1.93% Yen Bonds due 2004	9,100	10,000	68,293
Issued in 1999, 2.13% Yen Bonds due 2004	10,000	10,000	75,047
Issued in 1999, 3.19% Yen Bonds due 2009	10,000	10,000	75,047
Issued in 2001, 1.00% Yen Bonds due 2005	20,000	—	150,094
Issued in 2001, 1.00% Yen Bonds due 2005	30,000	—	225,140
Issued in 2001, 0.84% Yen Bonds due 2005	10,000	—	75,047
Issued in 2001, 1.02% Yen Bonds due 2006	10,000	—	75,047
Issued in and after 1995, Medium-Term Notes etc., maturing through 2009	126,911	143,846	952,428
Secured bonds:			
Issued in 1997, Bonds of domestic subsidiaries	—	200	—
Others	60,308	61,391	452,593
	2,350,423	2,452,860	17,639,197
Less current installments	486,794	584,675	3,653,238
	¥1,863,629	1,868,185	\$13,985,959

Certain agreements with Japan Bank for International Cooperation require that the Company, upon request of the lender, apply all or a portion of its operating income or the proceeds from the sale of any debentures or common stock to the reduction of outstanding loans when the lender considers that the Company is able to reduce such loans through increased earnings or otherwise and further provide that the lender may request that any proposed distribution of earnings be submitted to the lender for review and approval before presentation to the stockholders. The Company has never received such a request and does not expect that any such request will be made.

The Company and certain subsidiaries have entered into interest rate swap agreements for certain long-term debts as a means of managing their interest rate exposure. The total long-term debt hedged by such swap agreements were ¥1,598,260 million (\$11,994,447 thousand) and ¥1,612,233 million at March 31, 2002 and 2001, respectively.

Reference is made to note 7 for a description of collateral and certain customary provisions of long-term and short-term bank loan agreements relating to collateral and other rights of such lenders.

The aggregate annual maturities of long-term debt after March 31, 2002 are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. dollars
2003	¥ 486,794	\$ 3,653,238
2004	591,644	4,440,105
2005	328,985	2,468,931
2006	364,312	2,734,049
2007	271,737	2,039,302
2008 and thereafter	306,951	2,303,572
	¥2,350,423	\$17,639,197

10. Retirement and Severance Benefits

The Company and certain subsidiaries have funded retirement pension plans covering substantially all of their employees. Benefits under these pension plans are based on length of service and certain other factors and plan assets are comprised primarily of listed stock, bonds and other interest-bearing

securities.

Certain other subsidiaries have unfunded retirement and severance plans providing lump-sum payment benefits to their employees.

Changes in the benefit obligations and the fair value of the plan assets for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2002	2001	2002
Change in benefit obligations:			
Projected benefit obligations at beginning of year	¥272,335	262,013	\$2,043,790
Service cost	10,868	9,281	81,561
Interest cost	8,996	8,502	67,512
Plan participants' contributions	1,457	1,245	10,934
Actuarial loss	46,423	227	348,390
Benefits paid	(10,615)	(9,144)	(79,662)
Foreign currency translation adjustments	333	211	2,499
Other	(2,317)	—	(17,388)
Projected benefit obligation at end of year	327,480	272,335	2,457,636
Change in plan assets:			
Fair value of plan assets at beginning of year	217,996	198,875	1,635,992
Actual return on plan assets	(24,857)	(39,366)	(186,544)
Employer contributions	130,168	66,195	976,871
Plan participants' contributions	1,457	1,245	10,934
Benefits paid	(10,615)	(9,144)	(79,662)
Foreign currency translation adjustments	285	191	2,139
Other	(1,197)	—	(8,983)
Fair value of plan assets at end of year	313,237	217,996	2,350,747
Projected benefit obligations in excess of plan assets	14,243	54,339	106,889
Unrecognized actuarial loss	(184,774)	(111,203)	(1,386,671)
Unrecognized prior service cost arising from changes in pension plans	30,157	32,899	226,319
Net amount recognized	(140,374)	(23,965)	(1,053,463)
Adjustments to recognize minimum pension liability:			
Accumulated other comprehensive loss, gross of tax	1,619	73,054	12,150
Net amount recognized in the consolidated balance sheets	(138,755)	49,089	(1,041,313)
Prepaid pension cost	(157,121)	—	(1,179,144)
Accrued pension and severance cost recognized in the consolidated balance sheets	18,366	49,089	137,831
Actuarial present value of accumulated benefit obligations at end of year	¥320,901	267,085	\$2,408,263
Actuarial assumptions:			
Discount rate	2.40%	3.50%	
Expected long-term rate of return on plan assets	3.50%	3.50%	

Employer contributions for the years ended March 31, 2002 and 2001 included contribution of equity securities to an employee pension trust. The fair value of those securities at the time of

contribution was ¥85,016 million (\$638,019 thousand) and ¥45,846 million for the years ended March 31, 2002 and 2001, respectively.

The net cost of retirement and severance benefits for the years ended March 31, 2002, 2001 and 2000 consisted of the following:

	Millions of Yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Service cost-benefits earned during the year	¥10,868	9,281	12,898	\$ 81,561
Interest cost on projected benefit obligation	8,996	8,502	9,775	67,512
Expected return on plan assets	(6,576)	(6,601)	(6,361)	(49,351)
Net amortization	6,104	1,196	7,325	45,809
Net periodic pension cost	¥19,392	12,378	23,637	\$145,531

11. Foreign Exchange Gains and Losses

The net exchange gains of ¥10,108 million (\$75,857 thousand), ¥11,967 million and losses of ¥13,282 million for the years ended

March 31, 2002, 2001 and 2000, respectively, were included in the accompanying consolidated statements of income.

12. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in aggregate result in a normal tax rate of approximately 42%.

Foreign subsidiaries are subject to income taxes of the

countries where they operate. A reconciliation of the Japanese normal tax rate and the effective tax rate as a percentage of income (loss) before income taxes and equity in earnings (losses) was as follows:

	2002	2001	2000
Japanese normal income tax rate	42.0 %	42.0 %	(42.0)%
Expenses not deductible for tax purposes	3.0	2.3	4.9
Difference of tax rates for foreign subsidiaries	(3.4)	(1.6)	(3.8)
Tax benefits not recognized on operating losses of subsidiaries	1.8	1.7	24.0
Tax on dividends	5.6	4.9	6.0
Minority interests	6.9	2.2	1.2
Other	16.0	8.8	0.9
	71.9 %	60.3 %	(8.8)%

Changes in beginning-of-the-year balances of the valuation allowance for deferred tax assets for the years ended March 31, 2002 and 2001 were insignificant.

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at March 31, 2002 and 2001 were presented below:

	Millions of Yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Inventories, property and equipment	¥ 54,623	47,377	\$ 409,929
Allowance for doubtful accounts	73,329	67,837	550,311
Net operating loss carryforwards	48,781	49,739	366,086
Accrued retirement and severance benefits	3,875	13,074	29,081
Marketable securities and other investments	38,700	35,456	290,431
Other	17,929	29,738	134,552
Total gross deferred tax assets	237,237	243,221	1,780,390
Less valuation allowance	(51,919)	(55,023)	(389,636)
Net deferred tax assets	185,318	188,198	1,390,754
Deferred tax liabilities:			
Installment sales	(1,223)	(481)	(9,178)
Accrued retirement and severance benefits	(51,320)	—	(385,141)
Marketable securities and other investments	(14,936)	(20,080)	(112,090)
Other	(8,372)	(12,375)	(62,829)
Total gross deferred tax liabilities	(75,851)	(32,936)	(569,238)
Net deferred tax assets	¥109,467	155,262	\$ 821,516

The net changes in the total valuation allowance for the years ended March 31, 2002, 2001 and 2000 were decreases of ¥3,104 million (\$23,295 thousand), ¥19,998 million and an increase of ¥27,949 million, respectively.

Net operating loss carryforwards are available to reduce future income taxes. A certain portion of the net operating losses will expire by 2007 and the remainder may be utilized indefinitely.

Income taxes have not been accrued on undistributed earnings of foreign subsidiaries and associated companies in the amount of ¥35,163 million (\$263,887 thousand), ¥36,005 million and ¥31,192 million at March 31, 2002, 2001 and 2000, respectively, because the undistributed earnings are considered to be permanently invested.

13. Net Income (Loss) Per Ten Shares

The reconciliation of the numerators and denominators of the basic and diluted net income (loss) per ten shares computations for the years ended March 31, 2002, 2001 and 2000 was as follows:

	Millions of Yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Numerator:				
Net income (loss) available to common stockholders	¥30,191	70,507	(88,271)	\$226,574
Diluted net income (loss)	¥30,191	70,507	(88,271)	\$226,574

	Number of Shares		
	2002	2001	2000
Denominator:			
Weighted-average number of common shares outstanding	1,425,424,059	1,425,392,632	1,425,350,433
Effect of dilutive securities:			
0.00% Yen Convertible Bonds due 2001	—	110,245,252	—
Diluted common shares outstanding	1,425,424,059	1,535,637,884	1,425,350,433

	Yen			U.S. dollars
	2002	2001	2000	2002
Net income (loss) per ten shares:				
Basic	¥212	495	(619)	\$1.59
Diluted	¥212	459	(619)	\$1.59

14. Segment Information

The Company and its subsidiaries are engaged in a wide range of diversified businesses which includes: general trading operations both domestic and overseas; providing financial services to customers and suppliers; planning, arranging and coordinating industrial projects in connection with general trading; and investing in fields of resource development, advanced

technology, information and multimedia.

The Company and its subsidiaries have introduced a division company system, and information on operating segments (for 2002, 2001 and 2000) are stated according to this system. This system is used for decisions in operations or evaluations by the management.

Information concerning operations in different operating segments for the years ended March 31, 2002, 2001 and 2000 was as follows:

	Millions of Yen								
	2002								
	Textile	Plant, Automobile & Industrial Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥880,105	1,937,312	960,270	2,740,037	1,735,813	2,445,209	455,292	246,433	11,400,471
Transfers between operating segments	2,584	268	3,181	1,374	17,942	149	2,313	(27,811)	—
Total trading transactions	¥882,689	1,937,580	963,451	2,741,411	1,753,755	2,445,358	457,605	218,622	11,400,471
Gross trading profit	¥ 83,540	50,208	112,578	52,668	80,654	126,861	34,383	37,975	578,867
Trading income (loss)	¥ 18,055	(4,720)	28,233	17,240	15,753	24,543	(7,921)	5,334	96,517
Net income (loss)	¥ 8,308	1,298	36,321	9,522	(212)	9,608	(9,811)	(24,843)	30,191
Identifiable assets at March 31	¥384,147	588,062	526,177	401,628	532,734	665,071	773,374	881,126	4,752,319
	Millions of Yen								
	2001								
	Textile	Plant, Automobile & Industrial Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥944,021	2,149,468	890,144	3,106,731	1,841,806	2,404,702	630,215	168,174	12,135,261
Transfers between operating segments	1,856	1,690	4,067	2,015	2,887	278	4,339	(17,132)	—
Total trading transactions	¥945,877	2,151,158	894,211	3,108,746	1,844,693	2,404,980	634,554	151,042	12,135,261
Gross trading profit	¥ 81,335	55,619	110,480	67,592	82,412	127,419	22,828	63,915	611,600
Trading income (loss)	¥ 22,115	(9,103)	41,173	20,652	18,807	22,582	(26,849)	19,243	108,620
Net income (loss)	¥ 7,224	(9,954)	90,662	6,865	2,377	8,191	(40,947)	6,089	70,507
Identifiable assets at March 31	¥383,156	648,993	518,606	702,256	573,594	696,824	827,095	806,995	5,157,519

	Millions of Yen								
	2000								
	Textile	Plant, Automobile & Industrial Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥1,106,230	2,037,395	869,329	3,038,187	1,784,957	2,396,554	765,203	146,590	12,144,445
Transfers between operating segments	1,578	3,227	3,065	1,356	3,644	250	4,171	(17,291)	—
Total trading transactions	¥1,107,808	2,040,622	872,394	3,039,543	1,788,601	2,396,804	769,374	129,299	12,144,445
Gross trading profit	¥ 69,779	64,036	82,574	62,587	80,528	129,343	39,116	84,385	612,348
Trading income (loss)	¥ 18,618	(36,207)	16,888	12,657	16,415	26,488	(30,892)	20,731	44,698
Net income (loss)	¥ 7,977	(39,645)	115,985	265	(5,919)	4,382	(137,402)	(33,914)	(88,271)
Identifiable assets at March 31	¥ 380,771	810,422	512,563	691,474	599,750	650,489	1,068,411	1,353,245	6,067,125

	Thousands of U.S. dollars								
	2002								
	Textile	Plant, Automobile & Industrial Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	\$6,604,916	14,538,927	7,206,529	20,563,129	13,026,739	18,350,537	3,416,826	1,849,403	85,557,006
Transfers between operating segments	19,392	2,011	23,873	10,311	134,649	1,118	17,359	(208,713)	—
Total trading transactions	\$6,624,308	14,540,938	7,230,402	20,573,440	13,161,388	18,351,655	3,434,185	1,640,690	85,557,006
Gross trading profit	\$ 626,942	376,795	844,863	395,257	605,283	952,053	258,034	284,991	4,344,218
Trading income (loss)	\$ 135,497	(35,422)	211,880	129,381	118,221	184,188	(59,445)	40,030	724,330
Net income (loss)	\$ 62,349	9,741	272,578	71,460	(1,591)	72,105	(73,629)	(186,439)	226,574
Identifiable assets at March 31	\$2,882,904	4,413,224	3,948,795	3,014,094	3,998,004	4,991,152	5,803,932	6,612,578	35,664,683

Note: The "Other, Adjustments & Eliminations" column includes trading transactions, gross trading profit, trading income (loss), net income (loss), and identifiable assets not allocated to operating segments in domestic and foreign areas, eliminations and adjustments, etc.

Information concerning operations in different geographical areas for the years ended March 31, 2002, 2001 and 2000 was as follows:

	Millions of Yen						
	2002						
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Trading transactions:							
Unaffiliated customers and associated companies	¥ 9,077,174	616,618	176,949	1,331,048	198,682	—	11,400,471
Transfers between geographical areas	961,602	225,282	47,701	816,777	465,711	(2,517,073)	—
Total trading transactions	¥10,038,776	841,900	224,650	2,147,825	664,393	(2,517,073)	11,400,471
Trading income	¥ 69,271	5,826	4,213	5,619	11,588	—	96,517
Identifiable assets at March 31	¥ 3,990,540	431,938	196,171	207,049	286,810	(360,189)	4,752,319

	Millions of Yen						
	2001						
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Trading transactions:							
Unaffiliated customers and associated companies	¥ 9,813,896	672,568	212,197	1,259,163	177,437	—	12,135,261
Transfers between geographical areas	1,088,782	260,441	52,106	980,711	503,896	(2,885,936)	—
Total trading transactions	¥10,902,678	933,009	264,303	2,239,874	681,333	(2,885,936)	12,135,261
Trading income	¥ 55,068	33,570	9,465	3,181	7,336	—	108,620
Identifiable assets at March 31	¥ 4,313,819	459,601	213,885	266,058	286,317	(382,161)	5,157,519

	Millions of Yen						
	2000						
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Trading transactions:							
Unaffiliated customers and associated companies	¥ 9,931,182	654,014	260,996	1,102,134	196,119	—	12,144,445
Transfers between geographical areas	1,095,372	1,282,198	57,485	1,416,738	362,484	(4,214,277)	—
Total trading transactions	¥11,026,554	1,936,212	318,481	2,518,872	558,603	(4,214,277)	12,144,445
Trading income	¥ (21,570)	55,840	6,377	1,184	2,749	118	44,698
Identifiable assets at March 31	¥ 4,694,681	878,686	317,745	266,695	309,911	(400,593)	6,067,125

	Thousands of U.S. dollars						
	2002						
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Trading transactions:							
Unaffiliated customers and associated companies	\$68,121,381	4,627,527	1,327,948	9,989,103	1,491,047	—	85,557,006
Transfers between geographical areas	7,216,525	1,690,672	357,981	6,129,659	3,495,017	(18,889,854)	—
Total trading transactions	\$75,337,906	6,318,199	1,685,929	16,118,762	4,986,064	(18,889,854)	85,557,006
Trading income	\$ 519,858	43,722	31,617	42,169	86,964	—	724,330
Identifiable assets at March 31	\$29,947,767	3,241,561	1,472,203	1,553,839	2,152,420	(2,703,107)	35,664,683

Note: The amounts of unallocated common assets included in the "Eliminations or Unallocated" column were ¥82,131 million (\$616,368 thousand), ¥83,693 million and ¥114,364 million for the years ended March 31, 2002, 2001 and 2000, respectively.

There have been no trading transactions with a single major external customer for the years ended March 31, 2002, 2001 and 2000.

15. Capital

The Company issued convertible bonds on December 8, 1999. During the years ended March 31, 2001 and 2000, the Company issued 104,775 shares and 33,087 shares, respectively, of common stock in connection with conversion of convertible bonds. In accordance with the provision of the Japanese

Commercial Code, the conversions of convertible bonds were accounted for by crediting one-half of the conversion proceeds to the common stock account and the remainder to the capital surplus account.

16. Legal Reserve and Retained Earnings

The Japanese Commercial Code required that an amount equal to at least 10% of appropriations paid in cash by the Company and its domestic subsidiaries be appropriated to a legal reserve until the reserve equals 25% of common stock. The Japanese Commercial Code, amended effective on October 1, 2001, requires that an amount equal to at least 10% of appropriations paid in cash be appropriated to a legal reserve until an aggregated amount of capital surplus and the legal reserve equals 25% of common stock.

The amount of retained earnings available for dividends under the Japanese Commercial Code is based on the amount recorded in the Company's books of account in accordance with financial accounting standards of Japan. The adjustments included in the accompanying consolidated financial statements to conform with United States generally accepted accounting

principles, but not recorded in the books of account, have no effect on the determination of retained earnings available for dividends under the Japanese Commercial Code. Retained earnings available for dividends amounted to ¥23,029 million (\$172,826 thousand) at March 31, 2002.

During the year ended March 31, 2001, as permitted by the Japanese Commercial Code, the Company's stockholders approved the elimination of an accumulated deficit of ¥109,799 million (\$824,008 thousand) by charging it to capital surplus. Had the Company followed the accounting used by United States companies for similar transactions, retained earnings at March 31, 2002 and 2001 would be ¥109,799 million (\$824,008 thousand) less than the amount included in the accompanying consolidated balance sheet.

17. Other Comprehensive Income (Loss)

Change in accumulated other comprehensive income (loss) was as follows:

	Millions of Yen			Thousands of U.S. dollars
	2002	2001	2000	2002
Foreign currency translation adjustments:				
Balance at beginning of year	¥(65,972)	(94,539)	(71,361)	\$(495,099)
Change for the year	35,326	28,567	(23,178)	265,110
Balance at end of year	(30,646)	(65,972)	(94,539)	(229,989)
Minimum pension liability adjustments:				
Balance at beginning of year	(37,668)	(11,010)	(40,759)	(282,687)
Change for the year	36,929	(26,658)	29,749	277,141
Balance at end of year	(739)	(37,668)	(11,010)	(5,546)
Unrealized gains (losses) on securities:				
Balance at beginning of year	22,105	58,962	1,469	165,891
Change for the year	(4,659)	(36,857)	57,493	(34,964)
Balance at end of year	17,446	22,105	58,962	130,927
Unrealized gains (losses) on derivative instruments:				
Balance at beginning of year	—	—	—	—
Change for the year	(6,325)	—	—	(47,467)
Balance at end of year	(6,325)	—	—	(47,467)
Accumulated other comprehensive income (loss):				
Balance at beginning of year	(81,535)	(46,587)	(110,651)	(611,895)
Change for the year	61,271	(34,948)	64,064	459,820
Balance at end of year	¥(20,264)	(81,535)	(46,587)	\$(152,075)

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments were as follows:

	Millions of Yen		
	2002		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥34,574	139	34,713
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	613	—	613
Net change in foreign currency translation adjustments during the year	35,187	139	35,326
Minimum pension liability adjustments	71,638	(34,709)	36,929
Unrealized gains (losses) on securities:			
Amount arising during the year on available-for-sale securities	(7,512)	1,911	(5,601)
Reclassification adjustments for gains and losses realized in net income	1,928	(986)	942
Net change in unrealized gains (losses) on securities during the year	(5,584)	925	(4,659)
Unrealized gains (losses) on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	(14,278)	5,905	(8,373)
Reclassification adjustments for gains and losses realized in net income	3,531	(1,483)	2,048
Net change in unrealized gains (losses) on derivative instruments during the year	(10,747)	4,422	(6,325)
Other comprehensive income (loss)	¥90,494	(29,223)	61,271

	Millions of Yen		
	2001		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥ 21,066	190	21,256
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	7,021	290	7,311
Net change in foreign currency translation adjustments during the year	28,087	480	28,567
Minimum pension liability adjustments	(45,962)	19,304	(26,658)
Unrealized gains (losses) on securities:			
Amount arising during the year on available-for-sale securities	(74,736)	30,226	(44,510)
Reclassification adjustments for gains and losses realized in net income	11,861	(4,208)	7,653
Net change in unrealized gains (losses) on securities during the year	(62,875)	26,018	(36,857)
Other comprehensive income (loss)	¥(80,750)	45,802	(34,948)

	Millions of Yen		
	2000		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥ (31,120)	(241)	(31,361)
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	8,172	11	8,183
Net change in foreign currency translation adjustments during the year	(22,948)	(230)	(23,178)
Minimum pension liability adjustments	51,290	(21,541)	29,749
Unrealized gains (losses) on securities:			
Amount arising during the year on available-for-sale securities	110,635	(44,883)	65,752
Reclassification adjustments for gains and losses realized in net loss	(14,056)	5,797	(8,259)
Net change in unrealized gains (losses) on securities during the year	96,579	(39,086)	57,493
Other comprehensive income (loss)	¥124,921	(60,857)	64,064

	Thousands of U.S. dollars		
	2002		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	\$259,467	1,043	260,510
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	4,600	—	4,600
Net change in foreign currency translation adjustments during the year	264,067	1,043	265,110
Minimum pension liability adjustments	537,621	(260,480)	277,141
Unrealized gains (losses) on securities:			
Amount arising during the year on available-for-sale securities	(56,375)	14,342	(42,033)
Reclassification adjustments for gains and losses realized in net income	14,469	(7,400)	7,069
Net change in unrealized gains (losses) on securities during the year	(41,906)	6,942	(34,964)
Unrealized gains (losses) on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	(107,152)	44,315	(62,837)
Reclassification adjustments for gains and losses realized in net income	26,499	(11,129)	15,370
Net change in unrealized gains (losses) on derivative instruments during the year	(80,653)	33,186	(47,467)
Other comprehensive income (loss)	\$679,129	(219,309)	459,820

18. Financial Instruments

The Company and its subsidiaries have various financial instruments, which are exposed to credit-related losses in the event of non-performance by counterparties.

The companies utilize numerous counterparties to ensure that there are no significant concentrations of credit risk with any individual counterparty or groups of counterparties.

Fair Values of Financial Instruments

The estimated fair values of financial instruments as of March 31, 2002 and 2001 were as follows:

Fair Values of Financial Instruments

	Millions of Yen				Thousands of U.S. dollars	
	2002		2001		2002	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:						
Marketable securities	¥ 51,165	51,092	49,985	49,985	\$ 383,977	383,430
Other investments	376,508	376,508	486,337	486,169	2,825,576	2,825,576
Other non-current receivables and advances to associated companies	404,512	405,735	543,923	545,493	3,035,737	3,044,916
Liabilities:						
Long-term debt	¥2,350,423	2,352,642	2,452,860	2,511,956	\$17,639,197	17,655,850

Cash and cash equivalents, Time deposits, Trade receivables (payables), Due from (to) associated companies, Short-term debt and Accrued expenses:

The carrying amounts as of March 31, 2002 and 2001 approximated fair values because of the short maturity of these instruments.

Marketable securities:

The fair values of marketable securities are based on quoted market prices.

Other investments:

The fair values of marketable investment securities are based on quoted market prices. The carrying amounts of non-marketable investment securities and others approximated fair values.

Other non-current receivables and advances to associated companies:

The fair values of other non-current receivables and advances to associated companies are based on the present value of future cash flows discounted using the current rates at which similar loans or receivables would be made to borrowers or customers with similar credit ratings and for comparable maturities.

Long-term debt:

The fair values of long-term debt are based on the present value of future cash flows discounted using the current borrowing rates of similar debt instruments having comparable maturities.

The Fair Values of Derivative Financial Instruments

The estimated fair values of derivative financial instruments as of March 31, 2002 and 2001 were as follows:

	Millions of Yen				Thousands of U.S. dollars	
	2002		2001		2002	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets for derivative financial instruments:						
Foreign exchange contracts (inclusive of currency swap agreements)	¥ 7,722	7,722	17,778	12,553	\$ 57,951	57,951
Interest rate swap agreements	26,141	26,141	—	41,247	196,180	196,180
Interest rate option agreements	223	223	1,885	735	1,674	1,674
Liabilities for derivative financial instruments:						
Foreign exchange contracts (inclusive of currency swap agreements)	¥ 2,355	2,355	3,578	1,885	\$ 17,674	17,674

Note: The Company and its subsidiaries adopted SFAS 133 and SFAS 138 at the beginning of the fiscal year 2002 on April 1, 2001. Fair values of derivative financial instruments are reported on the balance sheet as of March 31, 2002.

The fair values of derivative financial instruments reflect the estimated amounts that the Company and its subsidiaries would receive or pay to terminate the contracts at the reporting dates.

Foreign exchange contracts (inclusive of currency swap agreements):

The fair values of foreign exchange contracts are estimated based on the quoted market prices of comparable contracts.

Interest rate swap agreements:

The fair values of interest rate swap agreements are estimated using discounted cash flow analyses, based on the current swap rates for interest rate swap agreements with similar terms and remaining periods.

Interest rate option agreements:

The fair values of interest rate option agreements are estimated using option pricing model.

Limitations:

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Derivative Financial Instruments (prior to adoption of SFAS 133 and SFAS 138)

Derivative financial instruments are entered into with limited counterparties such as major financial institutions to minimize credit risk exposure. The Companies' policies prescribe monitoring of creditworthiness and exposure on a counterparty-by-counterparty basis.

The Company and certain subsidiaries operate internationally, giving rise to exposure to market risks from changes in foreign exchange rates and interest rates. Certain derivative financial instruments have been entered into by the companies to manage those exposures. These instruments for the most part are held for hedging purpose and include foreign exchange contracts (inclusive of currency swap agreements), interest rate swap agreements, and interest rate option agreements. Held or issued derivative financial instruments for trading purposes were insignificant.

Foreign exchange contracts (inclusive of currency swap agreements) are agreements to exchange different currencies at a specified exchange rate on a specific future date. Interest rate swap agreements generally change a floating rate into a fixed rate as well as changing a fixed rate into a floating rate. The floating rates are mainly based on the three-month or six-month LIBOR (London Interbank Offered Rate). Interest rate option agreements require the purchaser to pay a premium to the underwriter in compensation for having an option to exercise certain interest rate agreements if a specified market interest rate exceeds or falls below the fixed interest rate, agreed with the underwriter, at specified future dates.

The contracts or notional amounts of derivative financial instruments held as of March 31, 2001 were summarized as follows:

	Millions of Yen
	2001
Foreign exchange contracts (inclusive of currency swap agreements)	
To sell foreign currencies	¥ 69,636
To buy foreign currencies	190,408
Interest rate swap agreements	1,985,913
Interest rate option agreements	154,239

Derivative Instruments and Hedging Activities (subsequent to adoption of SFAS 133 and SFAS 138)

Overall risk profile

The Company and certain subsidiaries operate internationally and are exposed to market risks such as from changes in foreign exchange rates, interest rates and commodity prices. The Company and certain subsidiaries utilize certain derivative instruments principally in order to reduce these market risks.

The Company and certain subsidiaries are exposed to foreign exchange rate risk resulting from transactions internationally and enter into derivative financial instruments such as foreign exchange contracts (inclusive of currency swap agreements) primarily to hedge foreign exchange rate risk.

The Company and certain subsidiaries are exposed to interest rate risk resulting from holding a variety of interest rate-sensitive assets and liabilities and enter into derivative financial instruments such as interest rate swap agreements primarily to hedge interest rate risk.

The Company and certain subsidiaries are exposed to commodity price risk and enter into derivative instruments such as commodity price contracts (commodity future and forward contracts) primarily to hedge commodity price risk.

The Company and its subsidiaries have various derivative instruments, which are exposed to credit-related losses in the event of non-performance by counterparties. Numerous counterparties are utilized to ensure that there is no significant concentration of credit risk with any individual counterparty or groups of counterparties. Derivative instruments are entered into with limited major counterparties to minimize credit risk exposure. The policies of the Company and its subsidiaries prescribe monitoring of creditworthiness and exposure on a counterparty-by-counterparty basis.

Foreign exchange rate risk management

The Company and certain subsidiaries have assets and liabilities which are exposed to foreign exchange rate risk and, as a result, they enter into foreign exchange contracts (inclusive of currency swap agreements) for the purpose of hedging these risks.

Foreign exchange contracts are used principally to manage foreign exchange exposure between U.S. dollar and Japanese yen.

These contracts are primarily used to fix future net cash flows from recognized receivables and payables and unrecognized firm commitments denominated in foreign currencies.

The Company and its subsidiaries measure the volume and due date of future net cash flows by currency.

In accordance with their policy, a certain portion of measured net cash flows is covered by using foreign exchange contracts (inclusive of currency swap agreements).

Most hedging relationships between the derivative financial instruments and hedged items are highly effective in off-setting changes in foreign exchange rates.

Interest rate risk management

The Company's and certain subsidiaries' exposure to interest rate risk is related principally to debt obligations.

These debt obligations expose the Company and certain

subsidiaries to variability in future cash outflows of interest payments or to fluctuations in fair value due to changes in interest rates.

The Company and certain subsidiaries principally enter into interest rate swap agreements to manage fluctuations in cash flows or in fair values resulting from changes in interest rates.

Interest rate swaps are used to change floating rates on debt obligations to fixed rates by entering into receive-floating, pay-fixed interest rate swaps under which the Company and certain subsidiaries receive floating interest rate proceeds and make fixed interest rate payments, thereby creating fixed-rate debt.

On the other hand, interest rate swaps are used to change fixed rates on debt obligations to floating rates by entering into receive-fixed, pay-floating interest rate swaps under which the Company and certain subsidiaries receive fixed interest rate proceeds and make floating interest rate payments, thereby creating floating-rate debt.

Most hedging relationships between the derivative financial instruments and hedged items are highly effective in off-setting changes in cash flows or in fair values resulting from interest rate risk.

Commodity price risk management

The Company and certain subsidiaries enter into derivative instruments for commodities such as crude oil and grain principally to hedge fluctuation in cash flows or in fair values due to changes in commodity prices.

Derivative instruments for commodities do not have a material effect on the financial statements.

Most hedging relationships between the derivative instruments and hedged items are highly effective in off-setting changes in cash flows or in fair values resulting from commodity price risk.

Risk management policy

The Company and its subsidiaries assess foreign exchange rate risk, interest rate risk and commodity price risk by continually monitoring changes in exposure and by evaluating hedging opportunities.

The Company and its subsidiaries manage to limit the level of exposure to derivative instruments based on the purpose of holding derivative instruments.

The risk management policy of the Company and its subsidiaries is that derivative instruments for the most part are held for hedging purposes.

The Company and its subsidiaries meet the documentation requirements as prescribed by SFAS 133 and SFAS 138, which include their risk-management objective and strategy for undertaking various hedge transactions. In addition, a formal assessment is made at the hedge's inception and periodically on an on-going basis, as to whether the derivatives used in hedging activities are highly effective in off-setting changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of both recognized assets and liabilities and unrecognized firm commitments and derivative instruments that are designated and qualify as fair value hedges of these assets and liabilities and firm commitments are recognized in earnings.

The sum of the amount of the hedge ineffectiveness and net

gain or loss excluded from the assessment of hedge effectiveness was not material for the year ended March 31, 2002.

Cash flow hedge

Changes in the value of derivative instruments that are designated and qualify as cash flow hedges of unrecognized forecast transactions and recognized assets and liabilities are reported in accumulated other comprehensive income (loss) (referred to as AOCI).

These amounts are reclassified into earnings in the same period as hedged items affect earnings.

The sum of the amount of the hedge ineffectiveness and net gain or loss excluded from the assessment of hedge effectiveness was not material for the year ended March 31, 2002.

A transition adjustment of ¥6,045 million (loss) on initial

application of SFAS 133 and SFAS 138 at April 1, 2001 was reported in AOCI as a cumulative-effect-type adjustment.

¥2,048 million (\$15,370 thousand) of net losses included in the transition adjustment at April 1, 2001 were reclassified from AOCI into earnings during the year ended March 31, 2002 as net gains or losses relating to the hedged items affected earnings.

¥2,516 million (\$18,882 thousand) of net losses in AOCI at March 31, 2002 are expected to be reclassified into earnings within the next 12 months.

As of March 31, 2002, the maximum length of time over which the Company and its subsidiaries are hedging their exposure to variability in future cash flows is approximately 51 months.

Held or issued derivative instruments for trading purposes were insignificant.

The contracts or notional amounts of derivative financial instruments held as of March 31, 2002 were summarized as follows:

	Millions of Yen	Thousands of U.S. dollars
	2002	2002
Foreign exchange contracts (inclusive of currency swap agreements)		
To sell foreign currencies	¥ 105,439	\$ 791,287
To buy foreign currencies	263,723	1,979,159
Interest rate swap agreements	1,882,335	14,126,341
Interest rate option agreements	110,842	831,835

19. Issuance of Stock by Subsidiaries or Associated Companies

CENTURY21 REAL ESTATE OF JAPAN LTD., a consolidated subsidiary, issued 500 shares of common stock in a public offering to third parties on November 21, 2001, the date of its listing on the JASDAQ market. The offering price per share was ¥564,000 (\$4,233), which was in excess of the Company's carrying value per share of the subsidiary stock.

This issuance decreased the Company's ownership of the subsidiary from 69.6% to 61.9%. The issuance of these shares for ¥282 million (\$2,116 thousand) was regarded as a sale of a part of the Company's interest in the subsidiary and the Company recognized a gain of ¥102 million (\$765 thousand) for the year ended March 31, 2002, which was included in the profit on disposal of investments and marketable securities, net of write-downs account.

SPACE SHOWER NETWORKS INC., a consolidated subsidiary, issued 2,000 shares of common stock in a public offering to third parties on April 18, 2001, the date of its listing on the JASDAQ market. The offering price per share was ¥376,000 (\$2,822), which was in excess of the Company's carrying value per share of the subsidiary stock.

This issuance decreased the Company's ownership of the subsidiary from 70.6% to 64.8%. The issuance of these shares for ¥752 million (\$5,644 thousand) was regarded as a sale of a part of the Company's interest in the subsidiary and the Company recognized a gain of ¥383 million (\$2,874 thousand) for the year ended March 31, 2002, which was included in the profit on disposal of investments and marketable securities, net of write-downs account.

In addition, the company issued 2,466 shares of common stock in connection with the allocation of new shares to third parties and 200 shares of common stock in connection with business acquisition on January 16, 2002. The offering price per share was ¥288,348 (\$2,164), which was in excess of the Company's carrying value per share of the subsidiary stock.

This issuance decreased the Company's ownership of the subsidiary from 59.9% to 53.7%. The issuance of these shares for ¥769 million (\$5,771 thousand) was regarded as a sale of a part of the Company's interest in the subsidiary and the Company recognized a gain of ¥270 million (\$2,026 thousand) for the year ended March 31, 2002, which was included in the profit on disposal of investments and marketable securities, net of write-downs account.

ITOCHU SHOKUHIN CO., LTD., a consolidated subsidiary, issued 1,200,000 shares of common stock in a public offering to third parties on March 13, 2001, the date of its listing on the first section of the Tokyo Stock Exchange. The offering price per share was ¥4,324, which was in excess of the Company's carrying value per share of the subsidiary stock.

This issuance decreased the Company's ownership of the subsidiary from 60.1% to 54.6%. The issuance of these shares for ¥5,189 million was regarded as a sale of a part of the Company's interest in the subsidiary and the Company recognized a gain of ¥1,153 million for the year ended March 31, 2001, which was included in the profit on disposal of investments and marketable securities, net of write-downs account.

JAPAN FOODS CO., LTD., a consolidated subsidiary, issued 600,000 shares of common stock in a public offering to third parties on August 10, 2000, the date of its listing on the JASDAQ market. The offering price per share was ¥752, which was in excess of the Company's carrying value per share of the subsidiary stock.

This issuance decreased the Company's ownership of the subsidiary from 87.5% to 77.2%. The issuance of these shares for ¥451 million was regarded as a sale of a part of the Company's interest in the subsidiary and the Company recognized a gain of ¥163 million for the year ended March 31, 2001, which was included in the profit on disposal of investments and marketable securities, net of write-downs account.

JSAT Corporation, which had been an associated company, issued 45,000 shares of common stock in a public offering to third parties on August 4, 2000, the date of its listing on the first section of the Tokyo Stock Exchange. The offering price per share was ¥665,000, which was in excess of the Company's carrying value per share of the associated company's stock.

This issuance decreased the Company's ownership of the

20. Reclassification

Certain account classifications were changed in 2002, therefore the 2001 and 2000 financial statements were reclassified to conform to the 2002 presentation.

21. Contingent Liabilities

The Company and its subsidiaries have guaranteed payment of loans granted by banks to associated companies and customers aggregating to ¥285,893 million (\$2,145,538 thousand) and ¥209,692 million including guarantee to associated companies of ¥163,269 million (\$1,225,283 thousand) and ¥93,381 million at March 31, 2002 and 2001, respectively.

The Company and its subsidiaries were contingently liable relating to ¥3,342 million (\$25,081 thousand) and ¥3,338 million of trade notes receivable endorsed to suppliers in the settlement of accounts payable and ¥54,720 million (\$410,657 thousand)

associated company from 23.2% to 20.5%. The issuance of these shares for ¥29,925 million was regarded as a sale of a part of the Company's interest in the associated company and the Company recognized a gain of ¥4,606 million for the year ended March 31, 2001, which was included in the profit on disposal of investments and marketable securities, net of write-downs account.

ITOCHU Techno-Science Corporation, a consolidated subsidiary, issued 2,500,000 shares of common stock in a public offering to third parties on December 14, 1999, the date of its listing on the first section of the Tokyo Stock Exchange. The offering price per share was ¥20,900, which was in excess of the Company's carrying value per share of the subsidiary stock.

This issuance decreased the Company's ownership of the subsidiary from 89.2% to 78.3%. The issuance of these shares for ¥52,250 million was regarded as a sale of a part of the Company's interest in the subsidiary and the Company recognized a gain of ¥38,564 million for the year ended March 31, 2000, which was included in the profit on disposal of investments and marketable securities, net of write-downs account.

and ¥49,997 million of export bills of exchange discounted with banks in the ordinary course of business at March 31, 2002 and 2001, respectively.

In July 2001, Citibank, N.A. and Citibank Canada filed a lawsuit in the federal district court in New York City against ITOCHU International Inc. (the Company's U.S. subsidiary), with regards to the sale of all the stock of Copelco Capital, Inc., an ultimate subsidiary of ITOCHU International Inc., to the plaintiffs in May 2000. Because of the early stage of the proceedings and the inherent uncertainty of litigation, it is not possible to predict the ultimate outcome.

The major companies guaranteed and their balances as at March 31, 2002 and 2001 were the following:

	Millions of Yen	Thousands of U.S. dollars		Millions of Yen
	2002			2001
Marubeni-Itochu Steel Inc.	¥70,700	\$530,582	Tokyo Humania Enterprise Inc.	¥9,600
Marubeni-Itochu Steel America Inc.	22,585	169,493	P.T. Pantja Motor	8,000
Japan Brazil Paper and Pulp Resources Development Co., Ltd. ..	14,417	108,195	Digital Telecommunications Phils.	7,680
Tokyo Humania Enterprise Inc.	9,558	71,730	Tycoon Corporation	6,500
Quatro World Maritime S.A.	7,129	53,501	Bontang Train·G Project	6,318
Digital Telecommunications Phils.	7,099	53,276	Q.S.T. Corporation	6,000
STAR CHANNEL, INC.	6,000	45,028	Java Petroleum Investment Co., Ltd.	4,803
P.T. Pantja Motor	6,000	45,028	F.T.O. Corporation	4,650
Bontang Train·G Project	5,981	44,886	Q.D.S. Corporation	4,450
Tycoon Corporation	5,811	43,610	Map Ta Phut Tank Terminal Co., Ltd.	3,911

*The above amounts exclude the shares held by other guarantors, in case of joint and several guarantee.

22. Subsequent Events

In May 2002, the Company extinguished Yen Bonds (2.14083% interest rate at end of year) amounting to ¥50,000 million (\$375,235 thousand) to improve financial expenses and reduce interest-bearing debts. The funds for this extinguishment were

mainly self-financed, and the amount of interest reduction as a result of this extinguishment is estimated at approximately ¥900 million (\$6,754 thousand).

Independent Auditors' Report



The Board of Directors
ITOCHU Corporation :

We have audited the accompanying consolidated balance sheets of ITOCHU Corporation and subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2002, all expressed in 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 did not audit the financial statements of certain associated companies, the investments in which are recorded at the companies' equity in their net assets. The companies' investment in such companies as of March 31, 2002 and 2001 was ¥16,828 million (\$126,289 thousand) and ¥31,522 million, respectively, and their equity in the earnings of such companies for each of the years in the three-year period ended March 31, 2002 was ¥2,946 million (\$22,109 thousand), ¥8,158 million and ¥394 million, respectively. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such companies, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ITOCHU Corporation and subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

The consolidated financial statements as of and for the year ended March 31, 2002, have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis set forth in note 1 to the consolidated financial statements.

A handwritten signature of the KPMG firm, written in black ink. The letters 'KPMG' are written in a stylized, cursive-like font, with a horizontal line extending from the end of the 'G'.

Tokyo, Japan
May 15, 2002
except for note 22, as to which the date is June 27, 2002

Stock Information

Transfer Agent of Common Stock:

The Chuo Mitsui Trust & Banking Co., Ltd.

Stock Listings:

Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

General Meeting of Stockholders:

June 27, 2002

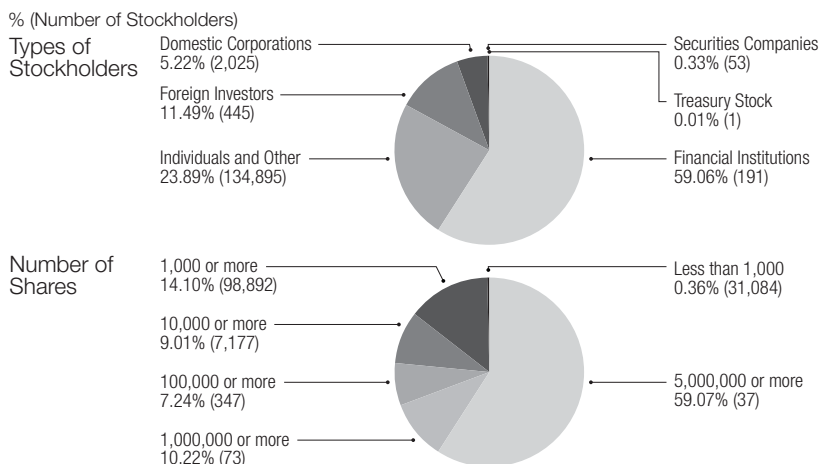
Number of Common Stock Issued:

1,425,487,736

Number of Stockholders:

137,610

Breakdown of Stockholders:

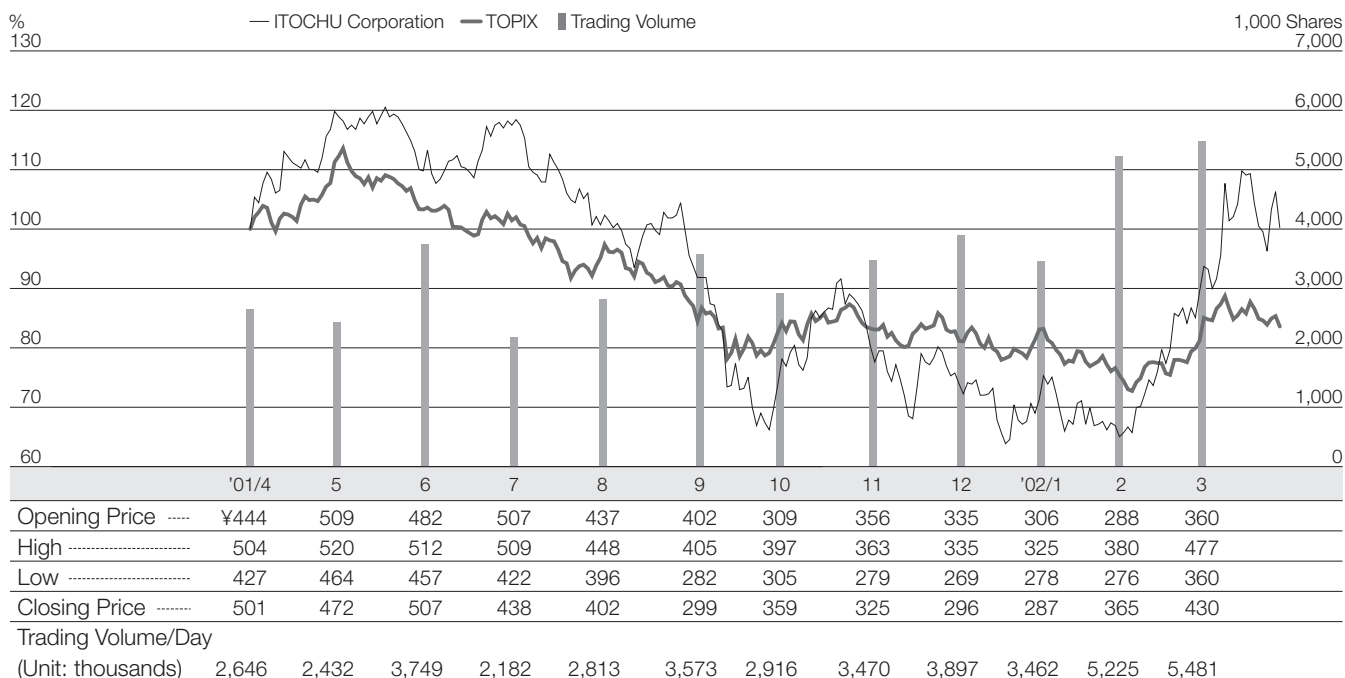


Major Stockholders

Stockholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust account)	96,454	6.77%
The Mitsubishi Trust and Banking Co., Ltd. (Trust account)	72,182	5.06
The Dai-ichi Kangyo Bank, Ltd. (Note)	69,343	4.86
Mitsui Sumitomo Insurance Co., Ltd.	51,343	3.60
The Sumitomo Mitsui Banking Corporation	47,226	3.31
The Tokio Marine and Fire Insurance Co., Ltd.	42,147	2.96
Nippon Life Insurance Company	42,022	2.95
NIPPONKOA Insurance Co., Ltd.	41,566	2.92
UFJ Trust Bank Limited (Trust account A)	37,524	2.63
Shinsei Bank, Limited.	34,382	2.41

Note: The Dai-ichi Kangyo Bank, Ltd., The Industrial Bank of Japan, Ltd. and The Fuji Bank, Ltd. implemented a corporate split and merged to become Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd. as of April 1, 2002.

Stock Performance of ITOCHU Corporation and Average Trading Volume Per Day



Share price on April 2, 2001 (¥429) = 100%

(As of March 31, 2002)

Corporate Information

ITOCHU Corporation

Founded:

1858

Incorporated:

1949

Tokyo Head Office:

5-1, Kita-Aoyama 2-chome,
Minato-ku, Tokyo 107-8077, Japan
Telephone: 81 (3) 3497-2121
Facsimile: 81 (3) 3497-4141

Osaka Head Office:

1-3, Kyutaromachi 4-chome,
Chuo-ku, Osaka 541-8577, Japan
Telephone: 81 (6) 6241-2121

Homepage:

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

Offices:

Domestic / 19
Overseas / 146

Number of Employees:

4,580

Paid-in Capital:

¥174,749 million

(As of March 31, 2002)

Additional Copies of This Annual Report and Other Information May be Obtained by Contacting:

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Corporate Communications Division,
ITOCHU Corporation
5-1, Kita-Aoyama 2-chome, Minato-ku,
Tokyo 107-8077, Japan
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Facsimile: 81 (3) 3497-7296*

Forward Looking Statements

Statements in this annual report with respect to ITOCHU's plans, strategies, forecasts and other statements that are not historical facts are forward-looking statements that are based on management's assumptions and beliefs based on information currently available and involve risks and uncertainties. Factors that could cause actual results to differ materially from such statements include, without limitation, global economic conditions, demand for and competitive pricing pressure on products and services, ITOCHU's ability to continue to win acceptance for its products and services in highly competitive markets, and currency exchange rate fluctuations.

ITOCHU Corporation

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