

November 16, 2000

SEMI—ANNUAL FINANCIAL STATEMENTS

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ITOCHU Corporation

SUMMARY OF OPERATIONS

General Conditions

The Japanese economy led by capital investment recovered mildly, but private consumption, a large factor that influences the economy, remained weak in the first half of fiscal 2001, ended September 30, 2000.

Overseas, the U.S. economy continued in its longest period of economic growth since the War, but signs of depression were observed with the raise in interest rates and uncertain stock market conditions. Europe saw moderate economic growth supported by the weakened currency, Euro. In Asia, the economy shifted toward a recovery.

Trading Transactions

ITOCHU's total trading transactions decreased 1.4% or ¥80 billion in the first half of fiscal 2001 from the first half of the previous year to ¥5,729 billion (\$53,047 million).

Domestic transactions increased in IT-related transactions, but those in textile, machinery, metal and construction categories decreased due to weak private consumption and domestic demand. Import transactions decreased in energy- and food- related categories. Exports declined in machinery- and metal-related transactions. Offshore transactions increased in energy-related categories due to the rise in crude oil prices.

Income and Expenses

Gross trading profit increased by ¥14,049 million to ¥312,315 million (\$2,892 million), a 4.7% increase over the first half of the previous year due to increase in IT-related transactions. Selling, general and administrative expenses decreased by ¥17,492 million to ¥225,514 million (\$2,088 million) due to the group-wise reduction in expenditure and decrease in expenses for retirement and pension. Provision for doubtful accounts decreased by ¥24,116 million to ¥22,213 million (\$206 million) from the first half of the previous year mainly due to decrease in losses related to real estate. Trading income increased by ¥55,657 million to ¥64,588 million (\$598 million).

Profit on disposal of investments and marketable securities (net of write-downs) resulted in ¥98,670 million (\$914 million), a ¥186,568 million increase over the first half of the previous year with profits from selling investments into ITOCHU TECHNO-SCIENCE Corporation and JSAT Corporation.

Equity in earnings of associated companies marked ¥5,129 million (\$47 million), a ¥5,813 million increase from the first half of the previous year.

Net income was ¥56,220 million (\$521 million) compared with net loss of ¥149,805 million in the first half of the previous year.

Note: The consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥108.00=US\$1, the exchange rate prevailing on September 30, 2000.

【 Assets 】	Y e n (millions)		U.S. dollars (thousands)
	Sep.2000	Mar.2000	Sep.2000
Current assets:			
Cash and cash equivalents	¥ 389,458	264,187	\$ 3,606,093
Time deposits	186,519	426,865	1,727,028
Marketable securities	45,665	221,669	422,824
Trade receivables :			
Notes	362,908	328,905	3,360,259
Accounts	1,083,515	1,169,490	10,032,546
Allowance for doubtful receivables	(37,791)	(38,359)	(349,916)
Net trade receivables	1,408,632	1,460,036	13,042,889
Due from associated companies	133,856	178,642	1,239,407
Inventories	512,707	506,206	4,747,287
Advances to suppliers	53,608	46,669	496,370
Other current assets	377,496	394,592	3,495,333
Total current assets	3,107,941	3,498,866	28,777,231
Investments and noncurrent receivables:			
Investments in and advances to associated companies	368,845	362,904	3,415,231
Other investments	615,305	484,994	5,697,269
Other noncurrent receivables	874,216	1,110,366	8,094,593
Allowance for doubtful items	(320,744)	(333,665)	(2,969,852)
Net investments and noncurrent receivables	1,537,622	1,624,599	14,237,241
Property and equipment, at cost :			
Land	295,517	303,548	2,736,269
Buildings	331,964	312,410	3,073,741
Machinery and equipment	260,793	275,332	2,414,750
Furniture and fixtures	44,694	47,486	413,833
Construction in progress	11,696	38,187	108,296
	944,664	976,963	8,746,889
Less accumulated depreciation	264,750	265,706	2,451,389
Net property and equipment	679,914	711,257	6,295,500
Other assets and deferred charges	225,011	232,403	2,083,435
Total	¥ 5,550,488	6,067,125	\$ 51,393,407

【 Liabilities and Stockholders' Equity 】	Y e n (millions)		U.S. dollars (thousands)
	Sep.2000	Mar.2000	Sep.2000
Current liabilities:			
Short-term debt	¥ 782,959	827,821	\$ 7,249,620
Current installments of long-term debt.....	693,742	725,430	6,423,537
Trade payables :			
Notes and acceptances.....	290,974	319,384	2,694,204
Accounts.....	829,627	815,767	7,681,731
Total trade payables.....	<u>1,120,601</u>	<u>1,135,151</u>	<u>10,375,935</u>
Due to associated companies.....	25,572	21,641	236,778
Income taxes payable.....	24,830	30,795	229,907
Advances from customers.....	67,707	60,920	626,917
Other current liabilities.....	280,736	256,279	2,599,408
Total current liabilities	<u>2,996,147</u>	<u>3,058,037</u>	<u>27,742,102</u>
Long-term debt, excluding current installments.....	2,123,184	2,574,964	19,659,111
Accrued retirement and severance benefits.....	17,534	58,904	162,352
Deferred income taxes-noncurrent.....	6,407	18,547	59,324
Minority interests.....	84,162	75,348	779,277
Stockholders' equity:			
Common stock of ¥50 par value :			
Authorized 3,000,000,000 shares ;			
Issued and outstanding			
1,425,388,475 shares	174,722	174,721	1,617,796
Capital surplus	112,664	222,462	1,043,185
Legal reserve	2,518	20,243	23,315
Retained earnings (deficit).....	94,230	(89,514)	872,500
Accumulated other comprehensive income (loss).....	(61,080)	(46,587)	(565,555)
Total stockholders' equity	<u>323,054</u>	<u>281,325</u>	<u>2,991,241</u>
Total	¥ 5,550,488	6,067,125	\$ 51,393,407

(NOTE)

Total Trading Transactions

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 2000 and 1999

Type of Transaction;	Yen (Millions)				U.S.dollars (thousands)	
	2000		1999		2000	
		%		%		
Domestic	¥	3,319,912	57.9	3,427,341	59.0	\$ 30,739,926
Import		667,854	11.7	717,008	12.3	6,183,833
Export		550,517	9.6	678,423	11.7	5,097,380
Offshore		1,190,758	20.8	986,276	17.0	11,025,537
Total	¥	5,729,041	100.0	5,809,048	100.0	\$ 53,046,676
Principal Products;			%		%	
Textile	¥	471,880	8.2	562,021	9.7	\$ 4,369,259
Plant, Automobile & Industrial Machinery		857,839	15.0	1,009,424	17.4	7,942,954
Aerospace, Electronics & Multimedia		421,830	7.4	391,031	6.7	3,905,833
Energy, Metals & Minerals		1,476,478	25.8	1,312,968	22.6	13,671,093
Chemicals, Forest Products & General Merchandise		910,041	15.9	904,078	15.6	8,426,306
Food		1,221,789	21.3	1,222,234	21.0	11,312,861
Finance, Realty, Insurance & Logistics Services, & other		369,184	6.4	407,292	7.0	3,418,370
Total	¥	5,729,041	100.0	5,809,048	100.0	\$ 53,046,676

Note: According to the reorganization of division companies, total trading transactions by principal products for 2000 and 1999 are expressed in terms of above principal product groups; Textile; Plant, Automobile & Industrial Machinery; Aerospace, Electronics & Multimedia; Energy, Metals & Minerals; Chemicals, Forest Products & General Merchandise; Food; Finance, Realty, Insurance & Logistics Services, and Other.