

[REVISED]

**ANNUAL FINANCIAL STATEMENTS**

For years ended March 31, 2003 and 2002

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## **Management Policy**

### **Reorganization of the Profit Structure and Restructuring of the Management System**

In the two-year mid-term management plan “A&P-2002” (plan for fiscal years 2002 and 2003), 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. In fiscal year 2003, the final year of A&P-2002, ITOCHU further accelerated reorganization of the profit structure and restructuring of the management system.

Regarding “Reorganization of the Profit Structure”, ITOCHU has been intensively allocating assets and shifting management resources to the A&P segments: information and multimedia; consumer and retail related; natural resource development; financial services; North America; and Asia. At the same time, ITOCHU has also paved a way for a future growth in such innovative technology fields as biotechnology and nanotechnology. More specifically, in the information and multimedia sector, ITOCHU laid the foundation steadily that was exemplified by a strategic alliance with Hitachi in the IT-related field. Also, ITOCHU has strengthened its product lines and service menus of ITC Network, which handles, and provides service for cellular phones, by allocating more management resources there. In the consumer and retail related sector, ITOCHU became the largest shareholder of Yukijirushi Access, Inc., aiming to reinforce its multi-temperature distribution network. ITOCHU also signed contracts with European and American prestigious brand names including BALLY, to gain exclusive import/sales rights for the brands. In the natural resource development sector, ITOCHU has decided to develop a coalmine in Australia and also participate in a pipeline project for oil transportation between the Caspian Sea and the Mediterranean Sea. ITOCHU also strengthened its financial position by a public offering in July 2002 to increase shareholders’ equity, and reduce total assets and interest-bearing debts, resulting in an improvement of our net DER (debts to equity ratio) by 1.0 points to 4.8 times from the last fiscal year end.

Regarding “Restructuring of the Management System”, ITOCHU has promoted the thorough implementation of a risk management method to domestic and overseas group companies, enhancement of training programs for employees including national staff,

and positioning of human resources based on “right person in the right place” policy. Also, ITOCHU strengthened the compliance system of the group companies under the leadership of the Chief Compliance Officer.

### **Task to be dealt with (Management Policy for the Future)**

Under such circumstances, ITOCHU started its mid-term management plan “Super A&P-2004” (a two-year plan for fiscal years 2004 and 2005). We aim to further progress in reorganization of the profit structure and management system implemented through the A&P-2002, drastically focusing on the A&P segments to strengthen our profitability and financial position, by particularly taking the following key measures.

Firstly – we will stabilize and reinforce our profitability by promoting the Super A&P strategy. In Super A&P-2004, among the A&P segments (consumer and retail related; information and multimedia; natural resource development; financial services; North America; and Asia), the consumer and retail related sector, in which ITOCHU has a strong presence, is identified as the driving force. ITOCHU will further accelerate selection and concentration, aiming to reallocate our assets to high efficient areas, expand profits from group companies by developing core subsidiaries and associates, and improve profits from overseas operations. ITOCHU also aims to develop future innovative technologies, such as biotechnology and nanotechnology, and create new businesses related to these technologies.

Secondly – we will further improve our financial position, and more specifically, we will shift assets to more profitable areas, reduce interest-bearing debts, and improve ratios such as DER.

Thirdly – ITOCHU aims to build a solid management system. After having discussed pros and cons of introduction of “the Company with Committees system”, we have decided to reinforce high transparent corporate governance, highly evaluated by the shareholders and markets, based on the existing board meeting and corporate auditor systems. Also we will further strengthen risk management.

Fourthly – we aim to establish a flexible personnel strategy, and will invigorate human resources in order to further enhance individual toughness, and proceed with personnel changes with “right person in the right place”.

By implementing the above-mentioned strategies, we will make an effort at achieving good results to respond to the expectations of the shareholders, and contributing to regional and global societies including active approaches to global environmental issues.

### **Dividends policy**

ITOCHU 's policy regarding the dividend payments is a consistent and stable distribution of returns to the stockholders, while maintaining and strengthening our competitive power by retaining earnings.

### **Basic Policy concerning Corporate Governance**

It is our basic policy to establish a management system with highly transparent management system (sophisticated corporate governance) by enhancing transparency in its decision-making process, corporate information disclosure and management accountability, and risk management including compliance with laws and regulations, and establishment of business ethics.

In particular, from fiscal year 2002, ITOCHU attained a reasonable size (12 members) for its Board of Directors for substantial talks, ensuring sophisticated functions.

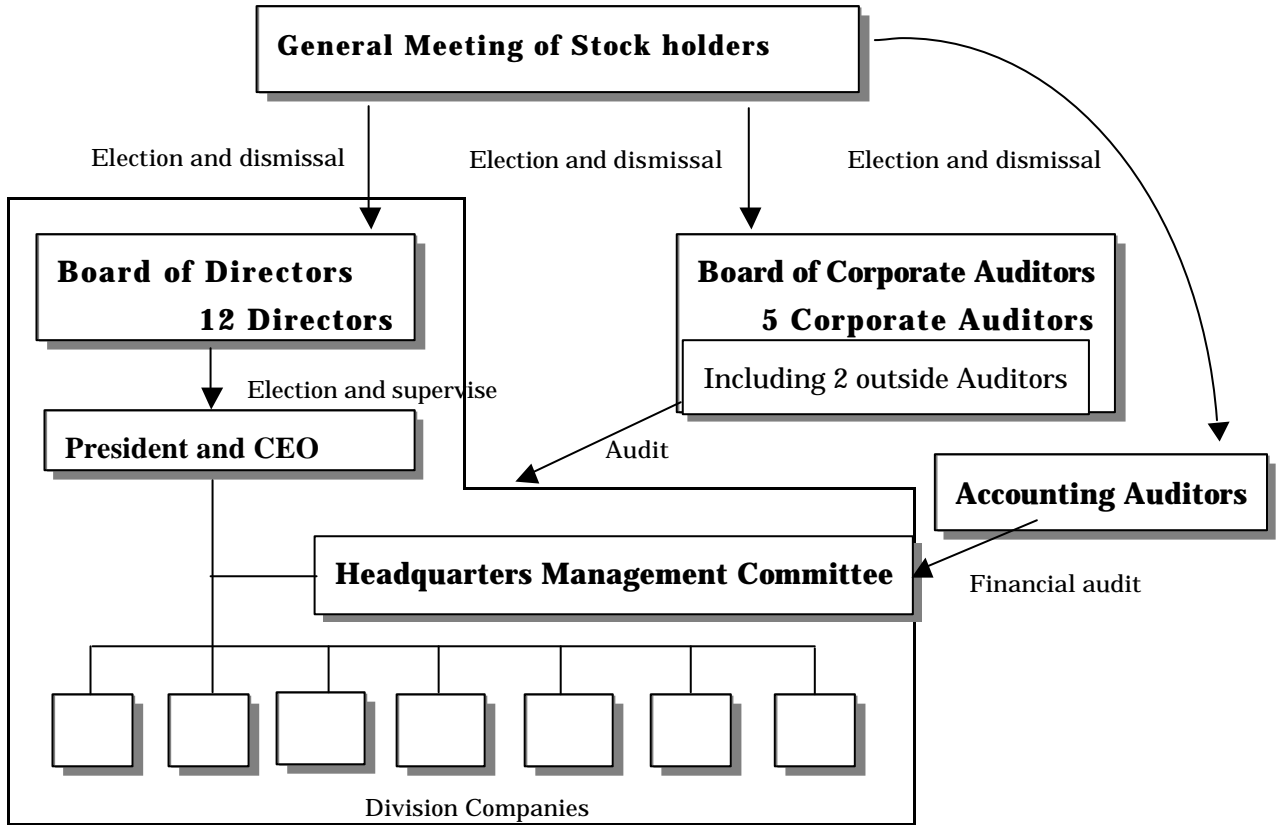
ITOCHU introduced the executive officer position in 2000, and the executive officers acquired definite functions to focus on specific operations. Since fiscal year 2001, ITOCHU has an Advisory Board composed of outside experts to obtain opinions on management from neutral viewpoints.

The Board of Corporate Auditors, comprised of five auditors (two of them are outside auditors), strictly monitors business operations of directors and executive officers, paying special attention to close cooperation with the internal audit section and collaboration with the auditors of group companies. ITOCHU introduced a remuneration system, which is closely tied to performance results, for directors and executive officers.

### **State of Implementation of Measures concerning Corporate Governance**

a. The organization regarding management decision-making process, and management control for execution and direction

The following is the organization chart;



b. Recent measures taken for the enhancement of corporate governance

After having discussed pros and cons of introduction of Company with Committees system, we have decided to reinforce corporate governance, using the existing board meeting and corporate auditor systems for the meantime.

Through GAC (Group Audit Committee) composed of the auditors of group companies, the Board of Corporate Auditors has enhanced the monitoring system of management of the group companies.

Regarding compliance, since fiscal year 2003, ITOCHU set up the compliance committee (reformed as corporate ethics and compliance committee since fiscal 2004) led by the Chief Compliance Officer to establish, maintain and promote the compliance system of ITOCHU including group companies. We ask for outside experts' check and advice on a regular basis.

## Outlook for Fiscal 2004

Business environment in fiscal 2004 is expected to depend on the trend of the U.S. economy that is highly unpredictable at the moment. Japanese economy, continuing to suffer from the current deflationary condition, will apparently be hard to expect the rapid recovery with a dim view of the stock market turning to positive.

Under these circumstances, ITOCHU is expecting consolidated total trading transactions of 10 trillion yen for the fiscal year ending March 2004, with a consolidated net income of 45 billion yen.

These forecasts are forward looking statements that are based on management's assumptions and beliefs based on information currently available and involve risks and uncertainties. Thus, factors that could cause actual results to differ materially from such statements include, without limitation, global economic and market conditions, and currency exchange rate fluctuations.

### Fiscal 2004 consolidated forecasts (April 2003 – March 2004)

	Full year	Changes from the previous fiscal year	1 <sup>st</sup> half	Changes from the 1 <sup>st</sup> half of the previous year
Total trading transactions	10 trillion yen	-4.4%	4.8 trillion yen	-5.4%
Net income	45 billion yen	+124.1%	15 billion yen	-32.5%

(Note)	Fiscal 2004 Forecasts	Fiscal 2003 Results
Exchange rate (Yen/US\$)	120.00	122.85
Crude oil price (US\$/BBL)	from 20 to 22	27.19

### Distribution of the last and current fiscal year's profit

ITOCHU plans to make a 5 (for the 1<sup>st</sup> half, 2.5) yen dividend payment per share for fiscal year ended March 2003. For fiscal year ending March 2004, ITOCHU intends to continue to make a dividend payment at 5 (for the 1<sup>st</sup> half, to be determined) yen.

# Summary of Operations

## General Conditions

During fiscal 2003, ended March 31, 2003, the Japanese economy showed the sign of the slight recovery in domestic production mainly due to an increase in exports and inventory adjustments in progress. However, private consumption remained dull in the negative trend of salary income. Although capital investments apparently reached the bottom, a deflationary condition was still rampant in the domestic economy, and in addition, a sharp decline in stock prices afflicted domestic companies' performances.

Overseas, the U.S. economy generally remained low-toned, following the lessened effects of large-scale tax cuts and easy-money policy. The European economy continued to be sluggish while Asian economy maintained a steady growth.

## Trading Transactions

In fiscal 2003, total trading transactions decreased by 8.2%, or 938.9 billion yen, from the last fiscal year to 10,461.6 billion yen (87,035 million U.S. dollars). Domestic transactions decreased in Aerospace, Electronics & Multimedia due to unfavorable performances in IT-related sector. A decline in market price, as well as a reduction of low-efficient transactions, also resulted in a fall in domestic transactions in Plant, Automobile & Industrial Machinery, Energy, Metals & Minerals, and Construction & Realty. Import transactions increased in the energy sector due to a rise in crude oil price. Export transactions decreased compared to the last fiscal year, in which large plant export transactions contributed. Offshore transactions increased in Plant, Automobile & Industrial Machinery and Food. Other than that, transferring the steel operations to a new equity-method affiliate, Marubeni-Itochu Steel Inc., on October 1, 2001, also had an impact on a decrease in total trading transactions.

## Income and Expenses

Gross trading profit decreased by 2.2% or 12.8 billion yen from the last fiscal year to 566.0 billion yen (4,709 million U.S. dollars) due to unfavorable performances in domestic IT-related sector, in addition to the impact of transferring the steel operations to a new equity-method affiliate, Marubeni-Itochu Steel Inc., on October 1, 2001. Meanwhile, selling, general and administrative expenses decreased by 3.7% or 17.0 billion yen to 448.5 billion yen (3,731 million U.S. dollars), which compensated enough for the drop of gross trading profit, contributed by a further expense reduction mainly in domestic IT-related subsidiaries, and the impact of transferring the steel operations to a new equity-method affiliate, Marubeni-Itochu Steel Inc., on October 1, 2001. As a result, trading income increased by 4.4% or 4.2 billion yen to 100.7 billion yen (838 million U.S. dollars).

Interest expenses improved due to the U.S. interest rate's drop, and ITOCHU's continuous reduction of interest-bearing debts, which led to a decline in net financial expenses by 1.4 billion yen, in spite of a decrease in dividends received from LNG-related investments.

In other income and expenses, profit (loss) on disposal of investments and marketable securities, dropped by 26.7 billion yen due to a decrease in gains by selling stocks, and incurring devaluation and disposal losses for stocks such as bank stocks. Also, a stronger yen as of this fiscal year end than at the last fiscal year end incurred losses for revaluating monetary receivables and payables in foreign currency, while gains were generated in the last fiscal year, which resulted in other-net loss deteriorated by 6.3 billion yen from the last fiscal year. In the meantime, equity in earnings of associated companies increased by 63.2% or 7.2 billion yen to 18.5 billion yen (154 million U.S. dollars) due to favorable performances in food associated companies and Marubeni-Itochu Steel Inc., however, which was insufficient to cover a drop in income before minority interests and equity in earnings. Consequently, net income decreased by 33.5% or 10.1 billion yen to 20.1 billion yen (167 million U.S. dollars).

### **Financial Conditions**

Total assets as of March 31, 2003 decreased by 265.9 billion yen to 4,486.4 billion yen (37,325 million U.S. dollars) from the last fiscal year end, as a result of a reduction of low-efficient assets under ITOCHU's "A&P" strategy, the effect of devaluated assets due to a sharp decline in stock price, and a stronger yen from the last fiscal year end.

Cash flows from operating activities recorded net cash-inflow of 168.8 billion yen (1,405 million U.S. dollars), which was mainly generated by further collections of trade receivables. Net cash provided by investing activities was 5.3 billion yen (44 million U.S. dollars) as a result of sales of stocks and collections of long-term receivables. A further reduction of interest-bearing debts, despite cash-inflow provided by a public stock offering on July 2002, led to 114.0 billion yen (949 million U.S. dollars) of net cash-outflow in financing activities.

As a result, the current balance of cash and cash equivalents as of March 31, 2003 increased by 54.4 billion yen to 534.2 billion yen (4,444 million U.S. dollars) from March 31, 2002.

The trend of cash flow indexes for ITOCHU is as follows;

Years ended March 31

	1999	2000	2001	2002	2003
Ratio of stockholders' equity to total assets (%)	4.5	4.6	6.1	8.4	9.5
Ratio of market capitalization to total assets (%)	5.2	12.9	12.3	12.9	10.2
Years of debts redemption (years)	36.3	18.1	19.2	12.9	15.2
Interest coverage ratio (times)	0.8	1.6	1.3	2.9	3.4

Ratio of stockholders' equity to total assets (%) = Stockholders' equity / Total assets

Ratio of market capitalization to total assets (%) = Market capitalization / Total assets

Years of debts redemption (years) = Interest-bearing debts / Cash flows from operating activities

Interest coverage ratio (times) = Cash flows from operating activities / Interest paid

(\*) The above indexes are represented on consolidated basis.

(\*) Cash flows from operating activities are used. Interest-bearing debts are all the liabilities on the balance sheets that oblige to pay interest expense.

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 120.20 yen = 1 U.S. dollars, the exchange rate prevailing on March 31, 2003.

## Consolidated Balance Sheets (Assets)

ITOCHU Corporation and Subsidiaries

March 31, 2003 and 2002

Assets	Y e n (millions)		U.S. dollars (thousands)
	2003	2002	2003
<b>Current assets:</b>			
Cash and cash equivalents.....	534,156	479,734	4,443,894
Time deposits.....	15,216	18,599	126,589
Marketable securities.....	40,879	51,165	340,091
Trade receivables :			
Notes.....	145,764	184,957	1,212,679
Accounts.....	907,315	951,075	7,548,378
Allowance for doubtful receivables.....	(24,816)	(35,187)	(206,456)
Net trade receivables.....	1,028,263	1,100,845	8,554,601
Due from associated companies.....	98,157	96,477	816,614
Inventories .....	402,242	426,028	3,346,439
Advances to suppliers.....	40,398	52,785	336,090
Deferred income taxes .....	31,812	31,889	264,658
Other current assets.....	214,055	261,531	1,780,824
Total current assets .....	2,405,178	2,519,053	20,009,800
<b>Investments and non-current receivables:</b>			
Investments in and advances to associated companies.....	447,155	453,490	3,720,092
Other investments.....	339,527	422,501	2,824,684
Other non-current receivables.....	465,548	574,990	3,873,111
Allowance for doubtful items.....	(206,050)	(240,724)	(1,714,226)
Net investments and non-current receivables .....	1,046,180	1,210,257	8,703,661
<b>Property and equipment, at cost :</b>			
Land.....	264,825	264,661	2,203,203
Buildings.....	298,215	307,057	2,480,990
Machinery and equipment.....	250,107	276,772	2,080,757
Furniture and fixtures.....	49,467	51,216	411,539
Construction in progress.....	6,322	6,870	52,596
	868,936	906,576	7,229,085
Less accumulated depreciation.....	276,439	277,888	2,299,825
Net property and equipment .....	592,497	628,688	4,929,260
Deferred income taxes, non-current .....	89,585	90,189	745,299
Other assets and deferred charges.....	352,965	304,132	2,936,481
<b>Total .....</b>	<b>4,486,405</b>	<b>4,752,319</b>	<b>37,324,501</b>

Note :

1. Consolidated balance sheets have been prepared in conformity with United States generally accepted accounting principles.
2. ITOCHU Corporation and its subsidiaries have adopted 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), since this fiscal year.
3. "Deferred income taxes" has been separately stated in the consolidated balance sheets since this fiscal year, which was previously included in "Other current assets".  
Accordingly, "Other current assets" in the consolidated balance sheets for the March 31, 2002 was restated.
4. "Deferred income taxes, non-current" has been separately stated in the consolidated balance sheets since this fiscal year, which was previously included in "Other assets and deferred charges".  
Accordingly, "Other assets and deferred charges" in the consolidated balance sheets for the March 31, 2002 was restated.

## Consolidated Balance Sheets (Liabilities and Stockholders' Equity)

ITOCHU Corporation and Subsidiaries

March 31, 2003 and 2002

Liabilities and Stockholders' Equity	Y e n (millions)		U.S. dollars (thousands)
	2003	2002	2003
<b>Current liabilities:</b>			
Short-term debt .....	465,108	504,616	3,869,451
Current installments of long-term debt.....	525,831	486,794	4,374,634
Trade payables :			
Notes and acceptances.....	168,310	196,301	1,400,250
Accounts.....	769,403	791,713	6,401,023
Total trade payables.....	937,713	988,014	7,801,273
Due to associated companies.....	36,058	36,799	299,983
Income taxes payable.....	19,505	20,050	162,271
Advances from customers.....	44,164	59,126	367,421
Other current liabilities.....	232,853	248,165	1,937,213
Total current liabilities .....	2,261,232	2,343,564	18,812,246
<b>Long-term debt, excluding current installments.....</b>	<b>1,637,916</b>	<b>1,863,629</b>	<b>13,626,589</b>
<b>Accrued retirement and severance benefits.....</b>	<b>22,383</b>	<b>18,366</b>	<b>186,215</b>
<b>Deferred income taxes, non-current.....</b>	<b>9,528</b>	<b>12,600</b>	<b>79,268</b>
<b>Minority interests.....</b>	<b>129,126</b>	<b>116,492</b>	<b>1,074,260</b>
<b>Stockholders' equity:</b>			
Common stock :			
Authorized 3,000,000,000 shares ;			
Issued and outstanding			
1,583,487,736 shares as of Mar.2003			
1,425,487,736 shares as of Mar.2002.....	202,241	174,749	1,682,537
Capital surplus .....	136,842	111,348	1,138,453
Legal reserve .....	3,212	3,410	26,722
Retained earnings (deficit).....	143,014	128,468	1,189,800
Accumulated other comprehensive income (loss).....	(58,408)	(20,264)	(485,923)
Treasury stock .....	(681)	(43)	(5,666)
Total stockholders' equity .....	426,220	397,668	3,545,923
<b>Total .....</b>	<b>4,486,405</b>	<b>4,752,319</b>	<b>37,324,501</b>

The components of accumulated other comprehensive income (loss) were as follows:

	Y e n (millions)		U.S. dollars (thousands)
	2003	2002	2003
Foreign currency translation adjustments.....	(51,209)	(30,646)	(426,032)
Minimum pension liability adjustments.....	(1,428)	(739)	(11,879)
Unrealized gains (losses) on securities.....	(381)	17,446	(3,170)
Unrealized gains (losses) on derivative instruments.....	(5,390)	(6,325)	(44,842)

**Consolidated Statements of Income**  
ITOCHU Corporation and Subsidiaries  
Years ended March 31, 2003 and 2002

	Y e n (millions)		U.S. dollars (thousands)
	2003	2002	2003
<b>Total trading transactions .....</b>	<b>10,461,620</b>	11,400,471	<b>87,035,108</b>
Gross trading profit .....	566,037	578,867	4,709,126
Selling, general and administrative expenses .....	448,473	465,519	3,731,057
Provision for doubtful accounts .....	16,845	16,831	140,141
<b>Trading income .....</b>	<b>100,719</b>	96,517	<b>837,928</b>
Other income (expenses):			
Interest income .....	16,939	33,895	140,923
Interest expense .....	(47,594)	(68,834)	(395,957)
Dividends .....	10,076	12,997	83,827
Profit (loss) on disposal of investments and marketable securities, net of write-downs.....	(13,182)	13,502	(109,667)
Profit (loss) on property and equipment.....	(755)	(7,622)	(6,281)
Other-net.....	(8,528)	(2,260)	(70,948)
	<b>(43,044)</b>	<b>(18,322)</b>	<b>(358,103)</b>
<b>Income before income taxes, minority interests and equity in earnings .....</b>	<b>57,675</b>	78,195	<b>479,825</b>
Income taxes :			
Current .....	31,287	38,227	260,291
Deferred .....	14,365	10,046	119,509
	<b>45,652</b>	<b>48,273</b>	<b>379,800</b>
<b>Income before minority interests and equity in earnings.....</b>	<b>12,023</b>	29,922	<b>100,025</b>
Minority interests .....	(10,484)	(11,093)	(87,222)
Equity in earnings of associated companies .....	18,539	11,362	154,235
<b>Net income .....</b>	<b>20,078</b>	30,191	<b>167,038</b>
	Y e n	U.S.dollars	
	2003	2002	2003
<b>Net income per ten common shares (basic) .....</b>	<b>131</b>	212	<b>1.09</b>
<b>Net income per ten common shares (diluted) .....</b>	<b>131</b>	212	<b>1.09</b>

Note :

1. Consolidated statements of income have been prepared in conformity with United States generally accepted accounting principles.
2. ITOCHU Corporation and its subsidiaries have adopted 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), since this fiscal year.
3. Comprehensive income for the years ended March 31, 2003 and 2002 were loss of 18,066 million yen (150 million U.S.dollars) and profit of 91,462 million yen, respectively.
4. Total trading transactions and trading income are represented in accordance with Japanese accounting practice. Total trading transactions shown in the consolidated statements of income consist of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.
5. "Minority interests" has been separately stated below "Income before minority interests and equity in earnings" in the consolidated statements of income since this fiscal year, which was previously included in "Income before income taxes and equity in earnings." Accordingly, consolidated statements of income for the year ended March 31, 2002 were restated.

## Consolidated Statements of Stockholders' Equity

ITOCHU Corporation and Subsidiaries

Years ended March 31, 2003 and 2002

	Yen (millions)		U.S. dollars (thousands)
	2003	2002	2003
<b>Common stock:</b>			
Balance at beginning of period .....	174,749	174,749	1,453,818
Issuance of common stock .....	27,492	-	228,719
Balance at end of period .....	<u>202,241</u>	<u>174,749</u>	<u>1,682,537</u>
<b>Capital surplus:</b>			
Balance at beginning of period .....	111,348	112,691	926,356
Issuance of common stock .....	27,285	-	226,997
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies .....	(1,791)	(1,343)	(14,900)
Balance at end of period.....	<u>136,842</u>	<u>111,348</u>	<u>1,138,453</u>
<b>Legal reserve:</b>			
Balance at beginning of period .....	3,410	2,614	28,369
Transfer from (to) retained earnings (deficit) .....	16	1,180	133
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies .....	(214)	(384)	(1,780)
Balance at end of period .....	<u>3,212</u>	<u>3,410</u>	<u>26,722</u>
<b>Retained earnings (deficit):</b>			
Balance at beginning of period .....	128,468	108,421	1,068,785
Net income .....	20,078	30,191	167,038
Cash dividends.....	(7,521)	(10,691)	(62,571)
Transfer from (to) legal reserve .....	(16)	(1,180)	(133)
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies .....	2,005	1,727	16,681
Balance at end of period .....	<u>143,014</u>	<u>128,468</u>	<u>1,189,800</u>
<b>Accumulated other comprehensive income (loss):</b>			
Balance at beginning of period.....	(20,264)	(81,535)	(168,585)
Other comprehensive income (loss).....	(38,144)	61,271	(317,338)
Balance at end of period .....	<u>(58,408)</u>	<u>(20,264)</u>	<u>(485,923)</u>
<b>Treasury stock:</b>			
Balance at beginning of period.....	(43)	-	(358)
Net increase (decrease) .....	(638)	(43)	(5,308)
Balance at end of period .....	<u>(681)</u>	<u>(43)</u>	<u>(5,666)</u>
<b>Total .....</b>	<u><b>426,220</b></u>	<u><b>397,668</b></u>	<u><b>3,545,923</b></u>
<b>Comprehensive income (loss):</b>			
Net income .....	20,078	30,191	167,038
Other comprehensive income (loss).....	(38,144)	61,271	(317,338)
<b>Total.....</b>	<u><b>(18,066)</b></u>	<u><b>91,462</b></u>	<u><b>(150,300)</b></u>

## Consolidated Statements of Cash Flows

ITOCHU Corporation and Subsidiaries

Years ended March 31, 2003 and 2002

	Y e n		U.S. dollars
	(millions)		(thousands)
	<u>2003</u>	<u>2002</u>	<u>2003</u>
<b>Cash flows from operating activities :</b>			
Net income .....	<b>20,078</b>	30,191	<b>167,038</b>
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization .....	<b>33,794</b>	35,839	<b>281,148</b>
Provision for doubtful accounts .....	<b>16,845</b>	16,831	<b>140,141</b>
Net loss (profit) on marketable securities, investments, property and equipment .....	<b>13,937</b>	(5,880)	<b>115,948</b>
Undistributed losses (earnings) of associated companies .....	<b>(12,104)</b>	(4,566)	<b>(100,699)</b>
Deferred income taxes .....	<b>14,365</b>	10,046	<b>119,509</b>
Other non-cash charges .....	<b>16,272</b>	10,031	<b>135,375</b>
Change in assets and liabilities .....	<b>65,656</b>	124,011	<b>546,224</b>
Net cash provided by (used in) operating activities .....	<b>168,843</b>	216,503	<b>1,404,684</b>
<b>Cash flows from investing activities :</b>			
Net sale (purchase) of property and equipment .....	<b>(16,556)</b>	(26,404)	<b>(137,737)</b>
Net decrease (increase) in investments in and advances to associated companies .....	<b>(8,558)</b>	(50,895)	<b>(71,198)</b>
Net sale (purchase) of investments .....	<b>404</b>	(6,808)	<b>3,361</b>
Net collection (origination) of non-current receivables .....	<b>17,319</b>	54,480	<b>144,085</b>
Net decrease (increase) in time deposits and similar instruments .....	<b>2,573</b>	238,982	<b>21,406</b>
Net decrease (increase) in marketable securities .....	<b>10,071</b>	4,653	<b>83,785</b>
Net cash provided by (used in) investing activities .....	<b>5,253</b>	214,008	<b>43,702</b>
<b>Cash flows from financing activities :</b>			
Net proceeds from (repayments of) long-term debt .....	<b>(137,057)</b>	(137,745)	<b>(1,140,241)</b>
Net increase (decrease) in short-term debt .....	<b>(22,205)</b>	(86,856)	<b>(184,734)</b>
Proceeds from issuance of common stock .....	<b>54,777</b>	-	<b>455,715</b>
Other .....	<b>(9,556)</b>	(7,446)	<b>(79,500)</b>
Net cash provided by (used in) financing activities .....	<b>(114,041)</b>	(232,047)	<b>(948,760)</b>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(5,633)</b>	6,334	<b>(46,864)</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>54,422</b>	204,798	<b>452,762</b>
<b>Cash and cash equivalents at beginning of period .....</b>	<b>479,734</b>	274,936	<b>3,991,132</b>
<b>Cash and cash equivalents at end of period .....</b>	<b>534,156</b>	479,734	<b>4,443,894</b>

## Total Trading Transactions

ITOCHU Corporation and Subsidiaries

Years ended March 31, 2003 and 2002

Type of Transaction:	Yen (millions)		U.S.dollars (thousands)		
	2003	2002	2003	2002	
		%		%	
Domestic	5,525,242	52.8	6,416,315	56.3	45,967,072
Import	1,254,871	12.0	1,230,139	10.8	10,439,859
Export	1,221,362	11.7	1,316,217	11.5	10,161,081
Offshore	2,460,145	23.5	2,437,800	21.4	20,467,096
<b>Total</b>	<b>10,461,620</b>	<b>100.0</b>	<b>11,400,471</b>	<b>100.0</b>	<b>87,035,108</b>

Principal Products:	Yen (millions)		U.S.dollars (thousands)		
	2003	2002	2003	2002	
		%		%	
Textile	871,680	8.3	880,105	7.7	7,251,913
Plant, Automobile & Industrial Machinery	1,746,583	16.7	1,937,312	17.0	14,530,641
Aerospace, Electronics & Multimedia	809,150	7.7	960,270	8.4	6,731,697
Energy, Metals & Minerals	2,216,196	21.2	2,740,037	24.0	18,437,571
Chemicals, Forest Products & General Merchandise	1,799,838	17.2	1,735,813	15.2	14,973,694
Food	2,522,544	24.1	2,445,209	21.5	20,986,223
Finance, Realty, Insurance & Logistics Services, & other	495,629	4.8	701,725	6.2	4,123,369
<b>Total</b>	<b>10,461,620</b>	<b>100.0</b>	<b>11,400,471</b>	<b>100.0</b>	<b>87,035,108</b>

## Segment Information

ITOCHU Corporation and Subsidiaries  
Years ended March 31, 2003 and 2002

ITOCHU Corporation 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.

ITOCHU Corporation and its subsidiaries have introduced the division company system, and information on operating segments (for 2003 and 2002) 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, 2003 and 2002 was as follows:

	2003								Yen (millions)
	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 .....	871,680	1,746,583	809,150	2,216,196	1,799,838	2,522,544	269,442	226,187	10,461,620
Transfers between operating segments ...	2,423	168	983	1,316	8,702	248	1,215	(15,055)	-
Total trading transactions .....	<u>874,103</u>	<u>1,746,751</u>	<u>810,133</u>	<u>2,217,512</u>	<u>1,808,540</u>	<u>2,522,792</u>	<u>270,657</u>	<u>211,132</u>	<u>10,461,620</u>
Gross trading profit .....	<u>93,471</u>	<u>48,576</u>	<u>102,538</u>	<u>32,958</u>	<u>87,061</u>	<u>130,114</u>	<u>33,841</u>	<u>37,478</u>	<u>566,037</u>
Trading income (loss) .....	<u>20,756</u>	<u>1,099</u>	<u>25,931</u>	<u>14,485</u>	<u>20,250</u>	<u>23,818</u>	<u>(1,284)</u>	<u>(4,336)</u>	<u>100,719</u>
Net income (loss) .....	<u>10,428</u>	<u>2,363</u>	<u>14,263</u>	<u>10,003</u>	<u>10,682</u>	<u>11,859</u>	<u>(8,403)</u>	<u>(31,117)</u>	<u>20,078</u>
Identifiable assets at March 31 .....	<u>370,802</u>	<u>490,076</u>	<u>484,255</u>	<u>391,551</u>	<u>524,644</u>	<u>654,377</u>	<u>692,656</u>	<u>878,044</u>	<u>4,486,405</u>
	2002								Yen (millions)
	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 .....	<u>882,689</u>	<u>1,937,580</u>	<u>963,451</u>	<u>2,741,411</u>	<u>1,753,755</u>	<u>2,445,358</u>	<u>457,605</u>	<u>218,622</u>	<u>11,400,471</u>
Gross trading profit .....	<u>83,540</u>	<u>50,208</u>	<u>112,578</u>	<u>52,668</u>	<u>80,654</u>	<u>126,861</u>	<u>34,383</u>	<u>37,975</u>	<u>578,867</u>
Trading income (loss).....	<u>18,055</u>	<u>(4,720)</u>	<u>28,233</u>	<u>17,240</u>	<u>15,753</u>	<u>24,543</u>	<u>(7,921)</u>	<u>5,334</u>	<u>96,517</u>
Net income (loss) .....	<u>8,308</u>	<u>1,298</u>	<u>36,321</u>	<u>9,522</u>	<u>(212)</u>	<u>9,608</u>	<u>(9,811)</u>	<u>(24,843)</u>	<u>30,191</u>
Identifiable assets at March 31.....	<u>384,147</u>	<u>588,062</u>	<u>526,177</u>	<u>401,628</u>	<u>532,734</u>	<u>665,071</u>	<u>773,374</u>	<u>881,126</u>	<u>4,752,319</u>
	2003								U.S.dollars (thousands)
	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 .....	7,251,913	14,530,641	6,731,697	18,437,571	14,973,694	20,986,223	2,241,614	1,881,755	87,035,108
Transfers between operating segments ...	20,159	1,397	8,178	10,948	72,396	2,063	10,108	(125,249)	-
Total trading transactions .....	<u>7,272,072</u>	<u>14,532,038</u>	<u>6,739,875</u>	<u>18,448,519</u>	<u>15,046,090</u>	<u>20,988,286</u>	<u>2,251,722</u>	<u>1,756,506</u>	<u>87,035,108</u>
Gross trading profit .....	<u>777,629</u>	<u>404,127</u>	<u>853,061</u>	<u>274,193</u>	<u>724,301</u>	<u>1,082,479</u>	<u>281,539</u>	<u>311,797</u>	<u>4,709,126</u>
Trading income (loss) .....	<u>172,679</u>	<u>9,143</u>	<u>215,732</u>	<u>120,507</u>	<u>168,469</u>	<u>198,153</u>	<u>(10,682)</u>	<u>(36,073)</u>	<u>837,928</u>
Net income (loss) .....	<u>86,755</u>	<u>19,659</u>	<u>118,660</u>	<u>83,220</u>	<u>88,868</u>	<u>98,661</u>	<u>(69,908)</u>	<u>(258,877)</u>	<u>167,038</u>
Identifiable assets at March 31 .....	<u>3,084,875</u>	<u>4,077,171</u>	<u>4,028,744</u>	<u>3,257,496</u>	<u>4,364,759</u>	<u>5,444,068</u>	<u>5,762,529</u>	<u>7,304,859</u>	<u>37,324,501</u>

Information concerning operations in different geographical areas for the years ended March 31, 2003 and 2002 was as follows:

<b>2003</b>							Yen (millions)
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Trading transactions:							
Unaffiliated customers and associated companies .....	8,242,776	484,551	159,584	1,362,552	212,157	-	10,461,620
Transfers between geographical areas .....	1,027,004	202,224	34,901	971,614	392,989	(2,628,732)	-
Total trading transactions .....	<u>9,269,780</u>	<u>686,775</u>	<u>194,485</u>	<u>2,334,166</u>	<u>605,146</u>	<u>(2,628,732)</u>	<u>10,461,620</u>
Trading income .....	<u>73,552</u>	<u>8,636</u>	<u>3,998</u>	<u>3,991</u>	<u>10,542</u>	<u>-</u>	<u>100,719</u>
Identifiable assets at March 31 .....	<u>3,884,166</u>	<u>372,447</u>	<u>174,403</u>	<u>202,014</u>	<u>233,304</u>	<u>(379,929)</u>	<u>4,486,405</u>
<b>2002</b>							Yen (millions)
	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 .....	<u>10,038,776</u>	<u>841,900</u>	<u>224,650</u>	<u>2,147,825</u>	<u>664,393</u>	<u>(2,517,073)</u>	<u>11,400,471</u>
Trading income.....	<u>69,271</u>	<u>5,826</u>	<u>4,213</u>	<u>5,619</u>	<u>11,588</u>	<u>-</u>	<u>96,517</u>
Identifiable assets at March 31.....	<u>3,990,540</u>	<u>431,938</u>	<u>196,171</u>	<u>207,049</u>	<u>286,810</u>	<u>(360,189)</u>	<u>4,752,319</u>
<b>2003</b>							U.S.dollars (thousands)
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Trading transactions:							
Unaffiliated customers and associated companies .....	68,575,508	4,031,206	1,327,654	11,335,707	1,765,033	-	87,035,108
Transfers between geographical areas .....	8,544,126	1,682,396	290,358	8,083,311	3,269,460	(21,869,651)	-
Total trading transactions .....	<u>77,119,634</u>	<u>5,713,602</u>	<u>1,618,012</u>	<u>19,419,018</u>	<u>5,034,493</u>	<u>(21,869,651)</u>	<u>87,035,108</u>
Trading income .....	<u>611,913</u>	<u>71,847</u>	<u>33,261</u>	<u>33,203</u>	<u>87,704</u>	<u>-</u>	<u>837,928</u>
Identifiable assets at March 31 .....	<u>32,314,193</u>	<u>3,098,561</u>	<u>1,450,940</u>	<u>1,680,649</u>	<u>1,940,965</u>	<u>(3,160,807)</u>	<u>37,324,501</u>

## Fair Value of Financial Instruments

ITOCHU Corporation and Subsidiaries  
Years ended March 31, 2003 and 2002

### Securities

ITOCHU Corporation and its subsidiaries have adopted Statement of Financial Accounting Standards No.115 "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115). Thus the securities classified as available-for-sale securities would be reported at fair value on the balance sheets.

The cost, gross unrealized holding gains and losses and fair value of those available-for-sale securities as of March 31, 2003 and 2002 were as follows:

		2003							
		Cost		Gross Unrealized Holding Gains		Gross Unrealized Holding Losses		Fair Value	
		Yen	U.S.dollars	Yen	U.S.dollars	Yen	U.S.dollars	Yen	U.S.dollars
		(millions)	(thousands)	(millions)	(thousands)	(millions)	(thousands)	(millions)	(thousands)
Available-for-sale:									
Current:									
	Equity securities	-	-	-	-	-	-	-	-
	Debt securities	7,044	58,602	1	8	580	4,825	6,465	53,785
		7,044	58,602	1	8	580	4,825	6,465	53,785
Non-current:									
	Equity securities	146,774	1,221,082	18,086	150,466	15,801	131,456	149,059	1,240,091
	Debt securities	11,849	98,577	54	449	24	200	11,879	98,827
		158,623	1,319,659	18,140	150,915	15,825	131,656	160,938	1,338,918

		2002							
		Cost		Gross Unrealized Holding Gains		Gross Unrealized Holding Losses		Fair Value	
		Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen
		(millions)	(millions)	(millions)	(millions)	(millions)	(millions)	(millions)	(millions)
Available-for-sale:									
Current:									
	Equity securities	-	-	-	-	-	-	-	-
	Debt securities	887		10		-		897	
		887		10		-		897	
Non-current:									
	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	

### Derivative financial instruments

ITOCHU Corporation and its subsidiaries have 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" (SFAS138). Thus those derivative financial instruments would be reported at fair value on the balance sheets.

The contracts or notional amount, carrying amount, and estimated fair value of derivative financial instruments held as of March 31, 2003 and 2002 were as follows:

		2003					
		Contracts or Notional Amount		Carrying Amount		Estimated Fair Value	
		Yen	U.S.dollars	Yen	U.S.dollars	Yen	U.S.dollars
		(millions)	(thousands)	(millions)	(thousands)	(millions)	(thousands)
Foreign exchange contracts							
(inclusive of currency swap agreements):							
	To sell foreign currencies	100,915	839,559	(480)	(3,993)	(480)	(3,993)
	To buy foreign currencies	228,733	1,902,937	3,776	31,414	3,776	31,414
	Interest rate swap agreements	1,778,326	14,794,725	19,749	164,301	19,749	164,301
	Interest rate option agreements	109,194	908,436	335	2,787	335	2,787

		2002			
		Contracts or Notional Amount		Carrying Amount	Estimated Fair Value
		Yen	Yen	Yen	Yen
		(millions)	(millions)	(millions)	(millions)
Foreign exchange contracts					
(inclusive of currency swap agreements):					
	To sell foreign currencies	105,439		(2,355)	(2,355)
	To buy foreign currencies	263,723		7,722	7,722
	Interest rate swap agreements	1,882,335		26,141	26,141
	Interest rate option agreements	110,842		223	223

## Retirement and Severance Benefits

ITOCHU Corporation and Subsidiaries

Years ended March 31, 2003 and 2002

ITOCHU Corporation and its 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, 2003 and 2002 were as follows:

	Yen (millions)		U.S. dollars (thousands)
	2003	2002	2003
<b>Change in benefit obligations:</b>			
Projected benefit obligations at beginning of year	327,480	272,335	2,724,459
Service cost	10,967	10,868	91,240
Interest cost	7,830	8,996	65,141
Plan participants' contributions	1,644	1,457	13,677
Actuarial loss	(2,414)	46,423	(20,083)
Benefits paid	(8,792)	(10,615)	(73,145)
Foreign currency translation adjustments	140	333	1,165
Other	(609)	(2,317)	(5,066)
Projected benefit obligation at end of year	336,246	327,480	2,797,388
<b>Change in plan assets:</b>			
Fair value of plan assets at beginning of year	313,237	217,996	2,605,965
Actual return on plan assets	(85,677)	(24,857)	(712,787)
Employer contributions	88,195	130,168	733,736
Plan participants' contributions	1,644	1,457	13,677
Benefits paid	(8,792)	(10,615)	(73,145)
Foreign currency translation adjustments	(68)	285	(566)
Other	(437)	(1,197)	(3,635)
Fair value of plan assets at end of year	308,102	313,237	2,563,245
Projected benefit obligations in excess of plan assets	28,144	14,243	234,143
Unrecognized actuarial loss	(262,264)	(184,774)	(2,181,897)
Unrecognized prior service cost arising from changes in pension plans	27,416	30,157	228,087
Net amount recognized	(206,704)	(140,374)	(1,719,667)
<b>Adjustments to recognize minimum pension liability:</b>			
Accumulated other comprehensive loss, gross of tax	3,355	1,619	27,912
Net amount recognized in the consolidated balance sheets	(203,349)	(138,755)	(1,691,755)
Prepaid pension cost	(225,732)	(157,121)	(1,877,970)
Accrued pension and severance cost recognized in the consolidated balance sheets	22,383	18,366	186,215
Actuarial present value of accumulated benefit obligations at end of year	325,198	320,901	2,705,474
<b>Actuarial assumptions:</b>			
Discount rate	2.40%	2.40%	
Expected long-term rate of return on plan assets	3.50%	3.50%	

The net cost of retirement and severance benefits for the years ended March 31, 2003 and 2002 consisted of the following:

	Yen (millions)		U.S. dollars (thousands)
	2003	2002	2003
Service cost-benefits earned during the year	10,967	10,868	91,240
Interest cost on projected benefit obligation	7,830	8,996	65,141
Expected return on plan assets	(7,006)	(6,576)	(58,286)
Net amortization	10,929	6,104	90,923
Net periodic pension cost	22,720	19,392	189,018

## Forward Looking Statements

Statements in this financial reports with respect to ITOCHU's plans, strategies, forecasts and other statements that are not historical facts and 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.