

SEMI-ANNUAL FINANCIAL STATEMENTS

For six months ended September 30, 2003 and 2002

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Management Policy

Promotion of Super A&P Strategy

ITOCHU Corporation has started its mid-term management plan, “Super A&P-2004”, for the two years from April 2003. Under this plan, ITOCHU has been further promoting the strengthening of profit structure and reinforcement of the management system, the two pillars of the previous plan “A&P-2002”. ITOCHU has been strengthening the profitability of the A&P segments (consumer & retail related, information & multimedia, natural resource development, financial services, North America, and Asia). ITOCHU also aggressively develops innovative technology related businesses such as biotechnology and nanotechnology to create a future profit source.

As a result, during this half-year period, we have achieved business tie-ups with several brands as *New Balance*, a U.S. sport shoe brand, and *Bruno Magli*, an Italian luxury shoe brand, and launched new brand retail outlets of *Dean & DeLuca* and *Bally*, in the consumer & retail related sector. Also, ITOCHU established Retail Net Co., Ltd. to reinforce our functions for retailers such as supermarkets, convenience-store chains and restaurants.

In the information & multimedia segment, in collaboration with Hitachi Ltd., ITOCHU has developed various solutions using μ -chip. The developed business applications were made public at the “Auto-ID Expo.” ITOCHU will take on the commercialization of this technology for supply-chain and inventory management and other tracability-oriented systems.

In the area of natural resource development, ITOCHU has started the development of crude oil field of Sakhalin-1 project. Also, ITOCHU has reached an agreement to increase its stakes and assets in a large-scale and high-quality coal development project in Australia by obtaining those owned by a joint venture partner.

In the financial service sector, together with a subsidiary, ITOCHU Finance Co., Ltd., ITOCHU made an equity investment in POCKET CARD CO., LTD., resulting in forming a business alliance with a major credit card company.

In addition, a subsidiary, i-Logistics Corp. has promoted the establishment of

international distribution system of frozen and chilled foods, linking Shandong province with Japan, and opened a new logistics center for frozen and chilled foods with a capacity of 10 thousand tons in Tsingtao, China.

In the innovative technology related sector, ITOCHU has concluded a comprehensive alliance with AIST (National Institute of Advanced Industrial Science & Technology) to support and develop medium and small companies, following the agreements on comprehensive alliances with U.S. national laboratories of Los Alamos and Lawrence Livermore during the last fiscal year. In addition, ITOCHU has invested in Cluster Technology Inc. in Osaka, as the first investment made through a fund set up in June this year to promote the developments of promising small and medium size companies.

ITOCHU has also strengthened its financial position by reducing interest-bearing debts as well as total assets and replacing assets with more efficient ones, which led to less than two trillion yen in interest-bearing debts as of the half fiscal year end, and an increase in stockholders' equity, and consequently, the net debts-to-equity ratio reached 4.2 times, a 0.6 point improvement from the last fiscal year end.

As regards the establishment of a solid management system, ITOCHU has further enhanced its compliance program by continuously conducting education and training on the corporate ethics and compliance for employees including those of group companies, and monitoring and reviewing compliance with laws and regulations.

Concerning the human resource strategy, ITOCHU established the HR diversification Committee aiming to vitalize employees with a flexible human resource system in the future.

Key Management Initiatives

Under the current mid-term management plan, "Super A&P-2004", ITOCHU established the following four key initiatives and made a steady progress during this half-year period. ITOCHU will accelerate the implementation of these initiatives.

Firstly – we will further promote thorough concentration of management resources on the A&P segments of four business domains and two regions, focusing on the consumer and retail related, and China and other Asian countries. ITOCHU also aims to develop such innovative technologies as biotechnology and nanotechnology to create new

businesses in the future.

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

Thirdly – ITOCHU aims to build a solid management system by continuously reinforcing highly transparent corporate governance.

Fourthly – we aim to establish an encouraging personnel strategy, and will invigorate human resources to further enhance individual power, and establish a human resource strategy with a “right person in the right place” policy.

By implementing the above-mentioned strategies, we will be able to achieve our goal 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 consistent and stable distribution of returns to the stockholders, while increasing stockholders' equity by retaining earnings, and maintaining and strengthening our competitive power.

Policy for Corporate Governance

It is ITOCHU’s 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.

State of Implementation of Measures concerning Corporate Governance

1. The present corporate governance system
ITOCHU adopts the following corporate governance systems based on a corporate structure with corporate auditors system.

-The Board of Directors consisting of 11 Directors, which is a reasonable size for substantial discussion, makes managerial decisions and supervises business operations.

-The Board of Corporate Auditors (including two 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 has introduced executive officer position and currently there are 34 executive officers who devote themselves to their specific operations.

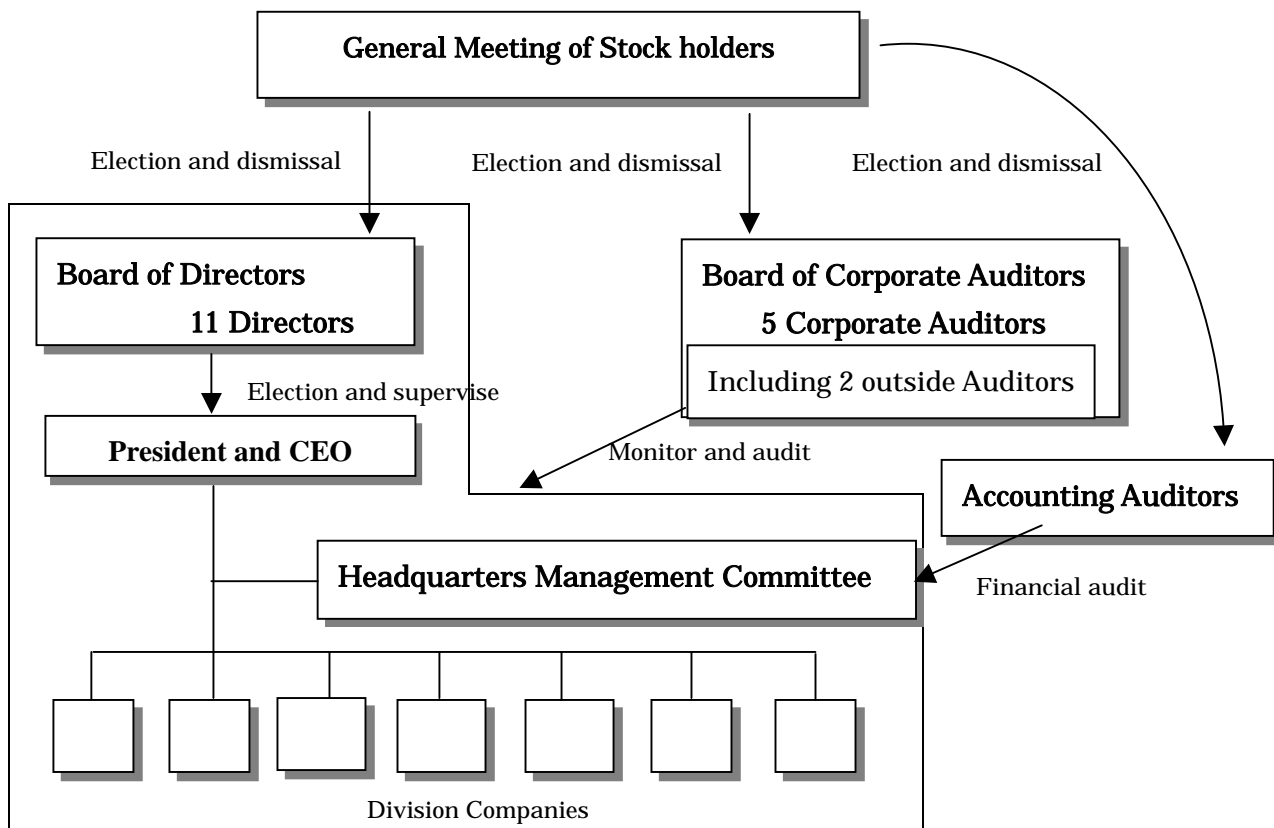
-ITOCHU has established HMC (Headquarters Management Committee), as a support body to CEO, to discuss general management policies and important issues relating to corporate management.

-ITOCHU has established an Advisory Board composed of outside experts from various fields to obtain useful opinions on management from an objective point of view.

-Serving as an internal control system, the internal audit division audits the adequacy and efficiency of the business operations. Also, regarding the compliance, ITOCHU takes various measures to make the employees fully understand “ITOCHU Corporation Code of Conducts,” and the Business Ethics and Compliance Committee headed by the Chief Compliance Officer works to enhance the corporate compliance structure.

-ITOCHU has appointed Tohmatsu & Co. as its financial auditor, to create an environment where the audit is executed from the fair and unbiased perspective. In addition, ITOCHU obtains advice from the corporate lawyers when judgment should be made from a legal standpoint.

The following is the organization chart;



2. State of Implementation of Measures concerning Corporate Governance

During the first-half of this fiscal year, ITOCHU held 14 Board of Directors Meetings to make management decisions on matters set forth by laws and regulations and other important matters as well as to monitor business operations. In addition, the Corporate Auditors audited the performances and behaviors of directors and executive officers through the examination of their attendance to the important meetings like Board of Directors Meetings, business duties, and private properties based on the audit policies and plans determined by the Board of Auditors. With regard to compliance, ITOCHU has reorganized the former Compliance Committee into the Business Ethics and Compliance Committee, not only to comply with laws and regulations but also to make all of the employees fully understand the ITOCHU credo and code of conduct.

Outlook for Fiscal 2004

In fiscal 2004, the Japanese economy is expected to steadily recover based on increasing capital expenditure and individual spending.

As regards the overseas business environment, the U.S. economy is expected to recover with a large-scale tax reduction, and the Asian economy including the Chinese economy is also expected to maintain a sound growth. However, the business environment in fiscal 2004 remains in an unpredictable situation due to destabilizing factors such as yen's sharp appreciation, although the stock prices have shown signs of recovery.

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, as announced in May.

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
Total trading transactions	10 trillion yen	-4.4%
Net income	45 billion yen	+124.1%

(Note)	Fiscal 2004 Forecasts	The First-Half Results
Exchange rate (Yen/US\$)	114.00	118.48
Crude oil price (US\$/BBL)	from 26 to 28	27.95

Distribution of the current fiscal year's profit

As announced in May, ITOCHU plans to make a 5-yen dividend payment per share for fiscal year ending March 2004. However, based on ITOCHU's primal policy to strengthen the stockholders' equity, ITOCHU decided not to make the interim dividend payment, considering the low level of non-consolidated net income for this half fiscal year period.

Summary of Operations

General Conditions

During the first half of fiscal 2004, ended September 30, 2003, the Japanese economy has been gradually showing the pickup, with an increase in capital expenditure and gradually expanded individual spending. Stock price in Japan, which has rapidly recovered bolstered by a public fund injection to prevent financial collapse and the recovery of U.S. stock market, reached temporarily over 11,000 yen in the middle of September. In addition, yen has sharply risen against U.S. dollars to around 110 yen/U.S. dollars towards the end of September since the "G7" held in the middle of September.

Overseas, IRAQ war that ended in a short period, and a relief from concerns about "SARS" that lost its momentum after the peak in April, which enabled U.S. economy to show the mild recovery, also following the large-scale tax reduction enacted in the end of May. The slight recession phase of the European economy might be seen in this mid-year. In Asia, generally, steady growth has been continuing.

Operating results

In the first half of fiscal 2004, total trading transactions decreased by 7.9% or 399.5 billion yen from the same period of the last fiscal year to 4,675.5 billion yen (42,027 million U.S. dollars). Despite the increases in the several commodities such as crude oil, naphtha and synthetic resin, low-efficient transactions were reduced in plant, automobile & industrial machinery; aerospace, electronics & multimedia; chemicals, forest products & general merchandise; food; and so forth.

In addition, stronger yen against U.S. dollars also had impacts on this decrease.

Gross trading profit increased by 0.3% or 0.7 billion yen from the same period of the last fiscal year to 274.5 billion yen (2,467 million U.S. dollars) due to steady performances in brand- and IT-related sectors, while minerals sector dropped in the wake of the stronger Australian dollars against U.S. dollars, and decreased in plant, automobile & industrial machinery due to the low transactions of motor vehicles.

Trading income decreased by 12.8% or 6.0 billion yen from the same period of the last fiscal year to 40.4 billion yen (364 million U.S. dollars), despite the steady increase in gross trading profit. Selling, general and administrative expenses increased by 2.1% or 4.6 billion yen to 229.1 billion yen (2,059 million U.S. dollars) mainly due to a rise in amortization of unrecognized actuarial losses. Provision for doubtful accounts also increased by 69.2% or 2.0 billion yen to 4.9 billion yen (44 million U.S. dollars) because of the additional provision primarily in several subsidiaries.

Interest expenses improved by 22.0% or 3.4 billion yen, due to the U.S. interest rate's drop, and the continuous reduction of interest-bearing debts, which led to a decline in net financial expenses by 38.1% or 4.1 billion yen to 6.7 billion yen (60 million U.S. dollars), in addition to an increase in

dividends received from LNG-related investments.

In other income/gains and expenses/losses, profit on disposal of investments and marketable securities, dropped by 13.5 billion yen from the same period of the last fiscal year, due to a decrease in gains generated by sale of stocks.

As a result, income before income taxes, minority interests and equity in earnings (losses), decreased by 36.2% or 14.4 billion yen to 25.4 billion yen (228 million U.S. dollars).

On the other hand, equity in earnings of associated companies increased by 46.1% or 4.9 billion yen to 15.7 billion yen (141 million U.S. dollars) due to the improved performances of associated companies in forest products & general merchandise, in addition to the contribution of earnings from new equity-method companies in food- and finance-related sectors. However this growth was insufficient to cover a drop in income before equity in earnings. Consequently, net income decreased by 13.8% or 3.1 billion yen to 19.2 billion yen (172 million U.S. dollars).

Financial Conditions

Total assets as of September 30, 2003 decreased by 1.4% or 63.1 billion yen to 4,423.3 billion yen (39,760 million U.S. dollars) from March 31, 2003, due to the continuous collection of receivables, and to a decrease in cash and cash equivalents in the wake of the redemption of debentures, in addition to a stronger yen on September 30 than that on March 31, 2003, while new or additional investments increased in A&P segments under ITOCHU's "Super A&P" strategy, and increased by revaluation of investments due to a surge of a stock price.

Stockholders' equity increased by 10.7% or 45.6 billion yen to 471.8 billion yen (4,241 million U.S. dollars) because of an increase in unrealized gains (losses) on securities due to the soaring stock price, and steady accumulation of retained earnings. As a result, stockholders' equity ratio improved by 1.2 point from March 31, 2003 to 10.7%.

Net interest-bearing debts (interest-bearing debts after deducting cash, cash equivalents and time deposit) decreased by 1.4% or 28.3 billion yen to 1,996.7 billion yen (17,948 million U.S. dollars), which recorded below 2,000.0 billion yen for the first time since the restructuring plans in 1997 and 1999. As a result, net DER (Debt-to-Equity Ratio) improved by 0.6 point from March 31, 2003, to 4.2 times.

Cash flows from operating activities recorded net cash-inflow of 42.5 billion yen (382 million U.S. dollars), which was mainly generated by further collections of trade receivables. Net cash used in investing activities was 23.8 billion yen (214 million U.S. dollars) as a result of new or additional investments in the various sectors such as minerals; forest products & general merchandise; food and finance. A further reduction of interest-bearing debts led to 65.0 billion yen (585 million U.S. dollars) of net cash-outflow in financing activities.

As a result, the current balance of cash and cash equivalents as of September 30, 2003 decreased by 46.8 billion yen to 487.4 billion yen (4,381 million U.S. dollars) from March 31, 2003.

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 111.25 yen = 1 U.S. dollars, the exchange rate prevailing on September 30, 2003.

Consolidated Balance Sheets (Assets)

ITOCHU Corporation and Subsidiaries

September 30, 2003 and March 31, 2003

Assets	Y e n		U.S. dollars
	(millions)		(thousands)
	Sep.2003	Mar.2003	Sep.2003
Current assets:			
Cash and cash equivalents.....	487,373	534,156	4,380,881
Time deposits.....	8,939	15,216	80,351
Marketable securities.....	44,845	40,879	403,101
Trade receivables :			
Notes.....	135,003	145,764	1,213,510
Accounts.....	878,115	907,315	7,893,168
Allowance for doubtful receivables.....	(22,839)	(24,816)	(205,294)
Net trade receivables.....	990,279	1,028,263	8,901,384
Due from associated companies.....	92,158	98,157	828,387
Inventories	423,349	402,242	3,805,384
Advances to suppliers.....	45,274	40,398	406,957
Deferred income taxes.....	31,132	31,812	279,838
Other current assets.....	205,714	214,055	1,849,115
Total current assets	2,329,063	2,405,178	20,935,398
Investments and non-current receivables:			
Investments in and advances to associated companies.....	487,028	447,155	4,377,780
Other investments.....	370,571	339,527	3,330,975
Other non-current receivables.....	439,055	465,548	3,946,562
Allowance for doubtful items.....	(208,132)	(206,050)	(1,870,850)
Net investments and non-current receivables	1,088,522	1,046,180	9,784,467
Property and equipment, at cost :			
Land.....	264,400	264,825	2,376,629
Buildings.....	307,688	298,215	2,765,735
Machinery and equipment.....	262,549	250,107	2,359,991
Furniture and fixtures.....	52,569	49,467	472,531
Construction in progress.....	10,130	6,322	91,056
	897,336	868,936	8,065,942
Less accumulated depreciation.....	295,976	276,439	2,660,459
Net property and equipment	601,360	592,497	5,405,483
Deferred income taxes, non-current.....	69,517	89,585	624,872
Other assets and deferred charges.....	334,845	352,965	3,009,843
Total	4,423,307	4,486,405	39,760,063

Note :

Consolidated balance sheets have been prepared in conformity with United States generally accepted accounting principles.

Consolidated Balance Sheets (Liabilities and Stockholders' Equity)

ITOCHU Corporation and Subsidiaries

September 30, 2003 and March 31, 2003

Liabilities and Stockholders' Equity	Y e n (millions)		U.S. dollars (thousands)
	Sep.2003	Mar.2003	Sep.2003
Current liabilities:			
Short-term debt	478,426	465,108	4,300,458
Current installments of long-term debt.....	405,138	525,831	3,641,690
Trade payables :			
Notes and acceptances.....	159,323	168,310	1,432,117
Accounts.....	752,738	769,403	6,766,184
Total trade payables.....	912,061	937,713	8,198,301
Due to associated companies.....	37,847	36,058	340,198
Income taxes payable.....	11,272	19,505	101,321
Advances from customers.....	55,017	44,164	494,535
Other current liabilities.....	228,782	232,853	2,056,468
Total current liabilities	2,128,543	2,261,232	19,132,971
Long-term debt, excluding current installments.....	1,658,804	1,637,916	14,910,598
Accrued retirement and severance benefits.....	19,393	22,383	174,319
Deferred income taxes, non-current.....	12,000	9,528	107,865
Minority interests.....	132,797	129,126	1,193,681
Stockholders' equity:			
Common stock :			
Authorized 3,000,000,000 shares ;			
Issued and outstanding			
1,583,487,736 shares	202,241	202,241	1,817,897
Capital surplus	136,761	136,842	1,229,312
Retained earnings			
Legal reserve	3,370	3,212	30,292
Other retained earnings	158,143	143,014	1,421,510
Accumulated other comprehensive income (loss).....	(28,032)	(58,408)	(251,973)
Treasury stock	(713)	(681)	(6,409)
Total stockholders' equity	471,770	426,220	4,240,629
Total	4,423,307	4,486,405	39,760,063

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

	Y e n (millions)		U.S. dollars (thousands)
	Sep.2003	Mar.2003	Sep.2003
Foreign currency translation adjustments.....	(49,147)	(51,209)	(441,771)
Minimum pension liability adjustments.....	(788)	(1,428)	(7,083)
Unrealized gains (losses) on securities.....	25,252	(381)	226,984
Unrealized gains (losses) on derivative instruments.....	(3,349)	(5,390)	(30,103)

Consolidated Statements of Stockholders' Equity

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 2003 and 2002

	Yen (millions)		U.S. dollars (thousands)
	2003	2002	2003
Common stock:			
Balance at beginning of period	202,241	174,749	1,817,897
Issuance of common stock	-	27,492	-
Balance at end of period	<u>202,241</u>	<u>202,241</u>	<u>1,817,897</u>
Capital surplus:			
Balance at beginning of period	136,842	111,348	1,230,040
Issuance of common stock	-	27,285	-
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies	(82)	-	(737)
Excess arising from retirement of treasury stock	1	-	9
Balance at end of period.....	<u>136,761</u>	<u>138,633</u>	<u>1,229,312</u>
Retained earnings:			
Legal reserve:			
Balance at beginning of period	3,212	3,410	28,872
Transfer from (to) retained earnings (deficit)	213	(65)	1,915
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies	(55)	(74)	(495)
Balance at end of period	<u>3,370</u>	<u>3,271</u>	<u>30,292</u>
Other retained earnings:			
Balance at beginning of period	143,014	128,468	1,285,519
Net income	19,161	22,236	172,234
Cash dividends.....	(3,956)	(3,563)	(35,560)
Transfer from (to) legal reserve	(213)	65	(1,915)
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies	137	74	1,232
Balance at end of period	<u>158,143</u>	<u>147,280</u>	<u>1,421,510</u>
Accumulated other comprehensive income (loss):			
Balance at beginning of period.....	(58,408)	(20,264)	(525,016)
Other comprehensive income (loss).....	30,376	(40,133)	273,043
Balance at end of period	<u>(28,032)</u>	<u>(60,397)</u>	<u>(251,973)</u>
Treasury stock:			
Balance at beginning of period.....	(681)	(43)	(6,121)
Net changes in treasury stock	(32)	(443)	(288)
Balance at end of period	<u>(713)</u>	<u>(486)</u>	<u>(6,409)</u>
Total	<u>471,770</u>	<u>430,542</u>	<u>4,240,629</u>
Comprehensive income (loss):			
Net income	19,161	22,236	172,234
Other comprehensive income (loss).....	30,376	(40,133)	273,043
Total.....	<u>49,537</u>	<u>(17,897)</u>	<u>445,277</u>

Consolidated Statements of Cash Flows

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 2003 and 2002

	Y e n (millions)		U.S. dollars (thousands)
	<u>2003</u>	2002	<u>2003</u>
Cash flows from operating activities :			
Net income	19,161	22,236	172,234
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	16,563	16,729	148,881
Provision for doubtful accounts	4,913	2,903	44,162
Net loss (profit) on marketable securities, investments, property and equipment	5,386	(8,824)	48,413
Undistributed losses (earnings) of associated companies	(12,794)	(6,852)	(115,002)
Deferred income taxes	2,293	9,626	20,611
Minority interests	5,314	3,881	47,766
Changes in assets and liabilities, other-net	1,679	(11,289)	15,092
Net cash provided by (used in) operating activities	<u>42,515</u>	<u>28,410</u>	<u>382,157</u>
Cash flows from investing activities :			
Net sale (purchase) of property and equipment	(19,714)	(6,162)	(177,205)
Net decrease (increase) in investments in and advances to associated companies	(13,984)	(13,534)	(125,699)
Net sale (purchase) of investments	(773)	30,442	(6,948)
Net collection (origination) of non-current receivables	3,508	13,989	31,533
Net decrease (increase) in time deposits and similar instruments	6,295	(26,182)	56,584
Net decrease (increase) in marketable securities.....	904	7,795	8,126
Net cash provided by (used in) investing activities	<u>(23,764)</u>	<u>6,348</u>	<u>(213,609)</u>
Cash flows from financing activities :			
Net proceeds from (repayments of) long-term debt	(39,234)	(151,822)	(352,665)
Net increase (decrease) in short-term debt	(20,498)	31,740	(184,252)
Proceeds from issuance of common stock	-	54,777	-
Other	(5,311)	(4,645)	(47,739)
Net cash provided by (used in) financing activities	<u>(65,043)</u>	<u>(69,950)</u>	<u>(584,656)</u>
Effect of exchange rate changes on cash and cash equivalents	(491)	(4,396)	(4,413)
Net increase (decrease) in cash and cash equivalents	(46,783)	(39,588)	(420,521)
Cash and cash equivalents at beginning of period	534,156	479,734	4,801,402
Cash and cash equivalents at end of period	<u>487,373</u>	<u>440,146</u>	<u>4,380,881</u>

Note :

From this fiscal year, "Minority interests", which were previously included in "Other non-cash charges", is separately stated, and a previous individual item of "Other non-cash charges" is included in "Changes in assets and liabilities, other-net".

Accordingly, the consolidated statements of cash flows in the previous year are restated.

Total Trading Transactions and Gross Trading Profit

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 2003 and 2002

Total Trading Transactions:	Yen (millions)		U.S.dollars (thousands)		
	2003	2002	2003	2002	
		%		%	
Textile	397,006	8.5	426,663	8.4	3,568,593
Plant, Automobile & Industrial Machinery	658,034	14.1	776,354	15.3	5,914,912
Aerospace, Electronics & Multimedia	290,850	6.2	389,339	7.7	2,614,382
Energy, Metals & Minerals	1,043,311	22.3	1,063,714	21.0	9,378,076
Chemicals, Forest Products & General Merchandise	832,882	17.8	887,789	17.5	7,486,580
Food	1,246,493	26.7	1,305,079	25.7	11,204,432
Finance, Realty, Insurance & Logistics Services, & Other	206,886	4.4	226,004	4.4	1,859,650
Total	4,675,462	100.0	5,074,942	100.0	42,026,625
Gross Trading Profit:	Yen (millions)		U.S.dollars (thousands)		
	2003	2002	2003	2002	
		%		%	
Textile	47,026	17.1	43,022	15.7	422,706
Plant, Automobile & Industrial Machinery	23,358	8.5	24,572	9.0	209,960
Aerospace, Electronics & Multimedia	49,237	18.0	44,140	16.1	442,580
Energy, Metals & Minerals	12,820	4.7	16,090	5.9	115,236
Chemicals, Forest Products & General Merchandise	44,007	16.0	43,582	15.9	395,568
Food	67,241	24.5	66,896	24.4	604,413
Finance, Realty, Insurance & Logistics Services, & Other	30,789	11.2	35,486	13.0	276,755
Total	274,478	100.0	273,788	100.0	2,467,218

Segment Information

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 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 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 six months ended September 30, 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 Services	Other, Adjustments & Eliminations	
Trading transactions:									
Unaffiliated customers and associated companies	397,006	658,034	290,850	1,043,311	832,882	1,246,493	96,573	110,313	4,675,462
Transfers between operating segments ...	844	31	554	394	3,981	119	3,989	(9,912)	-
Total trading transactions	<u>397,850</u>	<u>658,065</u>	<u>291,404</u>	<u>1,043,705</u>	<u>836,863</u>	<u>1,246,612</u>	<u>100,562</u>	<u>100,401</u>	<u>4,675,462</u>
Gross trading profit	<u>47,026</u>	<u>23,358</u>	<u>49,237</u>	<u>12,820</u>	<u>44,007</u>	<u>67,241</u>	<u>14,478</u>	<u>16,311</u>	<u>274,478</u>
Trading income (loss)	<u>10,415</u>	<u>1,322</u>	<u>9,021</u>	<u>4,831</u>	<u>11,100</u>	<u>12,579</u>	<u>(730)</u>	<u>(8,090)</u>	<u>40,448</u>
Net income (loss)	<u>5,958</u>	<u>2,072</u>	<u>1,913</u>	<u>8,654</u>	<u>5,806</u>	<u>8,517</u>	<u>(1,817)</u>	<u>(11,942)</u>	<u>19,161</u>
Identifiable assets at September 30	<u>373,573</u>	<u>446,555</u>	<u>462,059</u>	<u>406,492</u>	<u>538,555</u>	<u>682,272</u>	<u>683,817</u>	<u>829,984</u>	<u>4,423,307</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 Services	Other, Adjustments & Eliminations	
Trading transactions:									
Unaffiliated customers and associated companies	426,663	776,354	389,339	1,063,714	887,789	1,305,079	111,362	114,642	5,074,942
Transfers between operating segments ...	1,406	28	64	481	3,919	123	356	(6,377)	-
Total trading transactions	<u>428,069</u>	<u>776,382</u>	<u>389,403</u>	<u>1,064,195</u>	<u>891,708</u>	<u>1,305,202</u>	<u>111,718</u>	<u>108,265</u>	<u>5,074,942</u>
Gross trading profit	<u>43,022</u>	<u>24,572</u>	<u>44,140</u>	<u>16,090</u>	<u>43,582</u>	<u>66,896</u>	<u>15,499</u>	<u>19,987</u>	<u>273,788</u>
Trading income (loss).....	<u>7,926</u>	<u>1,418</u>	<u>6,048</u>	<u>7,045</u>	<u>10,507</u>	<u>14,453</u>	<u>922</u>	<u>(1,910)</u>	<u>46,409</u>
Net income (loss)	<u>4,240</u>	<u>2,184</u>	<u>11,290</u>	<u>4,743</u>	<u>3,109</u>	<u>11,884</u>	<u>(4,868)</u>	<u>(10,346)</u>	<u>22,236</u>
Identifiable assets at September 30	<u>371,710</u>	<u>511,454</u>	<u>440,735</u>	<u>410,387</u>	<u>525,885</u>	<u>659,452</u>	<u>707,048</u>	<u>862,575</u>	<u>4,489,246</u>
Identifiable assets at March 31, 2003.....	<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>

	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 Services	Other, Adjustments & Eliminations	
Trading transactions:									
Unaffiliated customers and associated companies	3,568,593	5,914,912	2,614,382	9,378,076	7,486,580	11,204,432	868,072	991,578	42,026,625
Transfers between operating segments ...	7,587	279	4,980	3,542	35,784	1,069	35,856	(89,097)	-
Total trading transactions	<u>3,576,180</u>	<u>5,915,191</u>	<u>2,619,362</u>	<u>9,381,618</u>	<u>7,522,364</u>	<u>11,205,501</u>	<u>903,928</u>	<u>902,481</u>	<u>42,026,625</u>
Gross trading profit	<u>422,706</u>	<u>209,960</u>	<u>442,580</u>	<u>115,236</u>	<u>395,568</u>	<u>604,413</u>	<u>130,139</u>	<u>146,616</u>	<u>2,467,218</u>
Trading income (loss)	<u>93,618</u>	<u>11,883</u>	<u>81,088</u>	<u>43,425</u>	<u>99,775</u>	<u>113,070</u>	<u>(6,562)</u>	<u>(72,719)</u>	<u>363,578</u>
Net income (loss)	<u>53,555</u>	<u>18,625</u>	<u>17,196</u>	<u>77,789</u>	<u>52,189</u>	<u>76,557</u>	<u>(16,333)</u>	<u>(107,344)</u>	<u>172,234</u>
Identifiable assets at September 30	<u>3,357,960</u>	<u>4,013,977</u>	<u>4,153,339</u>	<u>3,653,861</u>	<u>4,840,944</u>	<u>6,132,782</u>	<u>6,146,670</u>	<u>7,460,530</u>	<u>39,760,063</u>

Information concerning operations in different geographical areas for the six months ended September 30, 2003 and 2002 was as follows:

	2003						Yen (millions)
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
	Trading transactions:						
Unaffiliated customers and associated companies	3,726,842	187,778	76,452	604,856	79,534	-	4,675,462
Transfers between geographical areas	505,566	98,921	18,346	547,449	116,621	(1,286,903)	-
Total trading transactions	<u>4,232,408</u>	<u>286,699</u>	<u>94,798</u>	<u>1,152,305</u>	<u>196,155</u>	<u>(1,286,903)</u>	<u>4,675,462</u>
Trading income	<u>28,769</u>	<u>4,647</u>	<u>1,339</u>	<u>2,600</u>	<u>3,093</u>	<u>-</u>	<u>40,448</u>
Identifiable assets at September 30	<u>3,812,897</u>	<u>348,094</u>	<u>178,299</u>	<u>216,099</u>	<u>217,940</u>	<u>(350,022)</u>	<u>4,423,307</u>

	2002						Yen (millions)
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
	Trading transactions:						
Unaffiliated customers and associated companies	3,981,464	270,374	78,023	645,816	99,265	-	5,074,942
Transfers between geographical areas	481,470	98,131	17,299	488,317	152,674	(1,237,891)	-
Total trading transactions	<u>4,462,934</u>	<u>368,505</u>	<u>95,322</u>	<u>1,134,133</u>	<u>251,939</u>	<u>(1,237,891)</u>	<u>5,074,942</u>
Trading income.....	<u>33,691</u>	<u>4,277</u>	<u>1,363</u>	<u>2,173</u>	<u>4,905</u>	<u>-</u>	<u>46,409</u>
Identifiable assets at September 30	<u>3,815,442</u>	<u>375,829</u>	<u>168,579</u>	<u>234,636</u>	<u>232,973</u>	<u>(338,213)</u>	<u>4,489,246</u>
Identifiable assets at March 31, 2003	<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>

	2003						U.S.dollars (thousands)
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
	Trading transactions:						
Unaffiliated customers and associated companies	33,499,704	1,687,892	687,209	5,436,908	714,912	-	42,026,625
Transfers between geographical areas	4,544,413	889,178	164,908	4,920,890	1,048,279	(11,567,668)	-
Total trading transactions	<u>38,044,117</u>	<u>2,577,070</u>	<u>852,117</u>	<u>10,357,798</u>	<u>1,763,191</u>	<u>(11,567,668)</u>	<u>42,026,625</u>
Trading income	<u>258,598</u>	<u>41,771</u>	<u>12,036</u>	<u>23,371</u>	<u>27,802</u>	<u>-</u>	<u>363,578</u>
Identifiable assets at September 30	<u>34,273,231</u>	<u>3,128,935</u>	<u>1,602,688</u>	<u>1,942,463</u>	<u>1,959,011</u>	<u>(3,146,265)</u>	<u>39,760,063</u>

Note :

1. The above information is prepared in accordance with Securities and Exchange Law in Japan, instead of the information about geographic area based on Statement of Financial Accounting Standards No.131 "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131).
2. The above information presents total trading transactions, trading income (loss) and identifiable assets by each geographical segment that is based on the nearest region where ITOCHU Corporation and its subsidiaries are located.

Fair Value of Financial Instruments
ITOCHU Corporation and Subsidiaries
September 30, 2003 and March 31, 2003

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 are 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 September 30, 2003 and March 31, 2003 were as follows:

		Sep. 2003							
		Cost		Gross Unrealized Holding Gains		Gross Unrealized Holding Losses		Fair Value	
		Yen (millions)	U.S.dollars (thousands)	Yen (millions)	U.S.dollars (thousands)	Yen (millions)	U.S.dollars (thousands)	Yen (millions)	U.S.dollars (thousands)
Available-for-sale:									
Current:	Equity securities	-	-	-	-	-	-	-	-
	Debt securities	4,313	38,768	33	297	1,077	9,681	3,269	29,384
		4,313	38,768	33	297	1,077	9,681	3,269	29,384
Non-current:	Equity securities	132,470	1,190,742	46,223	415,488	5,024	45,160	173,669	1,561,070
	Debt securities	8,626	77,537	10	90	37	333	8,599	77,294
		141,096	1,268,279	46,233	415,578	5,061	45,493	182,268	1,638,364

		Mar. 2003							
		Cost		Gross Unrealized Holding Gains		Gross Unrealized Holding Losses		Fair Value	
		Yen (millions)	Yen (millions)	Yen (millions)	Yen (millions)	Yen (millions)	Yen (millions)	Yen (millions)	Yen (millions)
Available-for-sale:									
Current:	Equity securities	-	-	-	-	-	-	-	-
	Debt securities	7,044	1	580	6,465				
		7,044	1	580	6,465				
Non-current:	Equity securities	146,774	18,086	15,801	149,059				
	Debt securities	11,849	54	24	11,879				
		158,623	18,140	15,825	160,938				

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 are 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 September 30, 2003 and March 31, 2003 were as follows:

		Sep. 2003					
		Contracts or Notional Amount		Carrying Amount		Estimated Fair Value	
		Yen (millions)	U.S.dollars (thousands)	Yen (millions)	U.S.dollars (thousands)	Yen (millions)	U.S.dollars (thousands)
Foreign exchange contracts (inclusive of currency swap agreements):							
	To sell foreign currencies	88,006	791,065	3,958	35,578	3,958	35,578
	To buy foreign currencies	253,614	2,279,676	(9,047)	(81,321)	(9,047)	(81,321)
	Interest rate swap agreements	1,619,624	14,558,418	10,207	91,748	10,207	91,748
	Interest rate option agreements	107,924	970,103	280	2,517	280	2,517

		Mar. 2003			
		Contracts or Notional Amount		Carrying Amount	Estimated Fair Value
		Yen (millions)	Yen (millions)	Yen (millions)	Yen (millions)
Foreign exchange contracts (inclusive of currency swap agreements):					
	To sell foreign currencies	100,915		(480)	(480)
	To buy foreign currencies	228,733		3,776	3,776
	Interest rate swap agreements	1,778,326		19,749	19,749
	Interest rate option agreements	109,194		335	335

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.