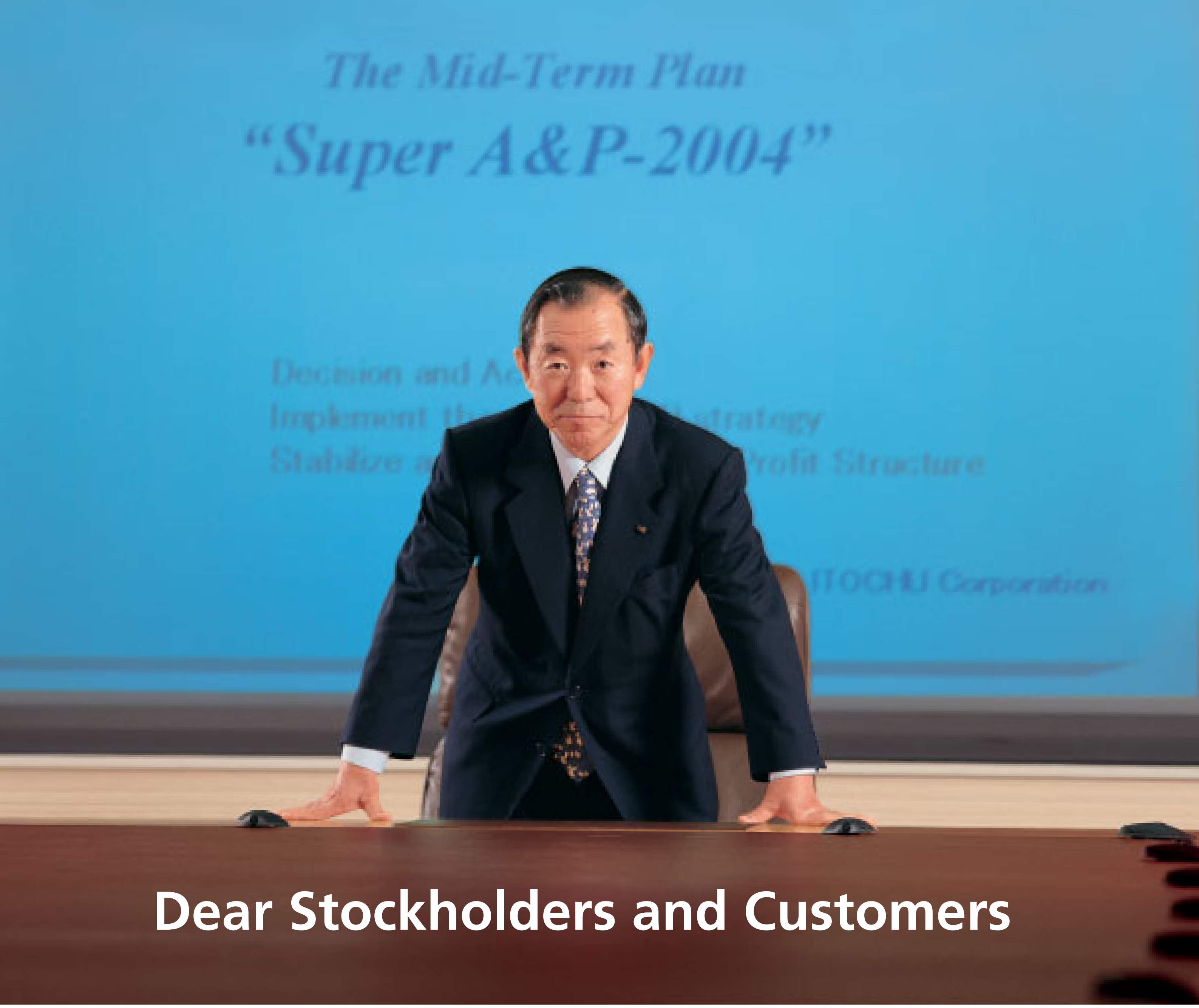

Dear Stockholders and Customers

Consolidated Results for the Year Ended March 2003 —Trading income* again surpasses ¥100 billion, adjusted profit hits record high

The Japanese economy in fiscal year 2003 ended March 31, 2003 showed some signs of a turnaround in the first half, but in the second half experienced a downturn. Reflecting deepening deflation, nominal domestic GDP declined 0.7% over the previous term, the second straight year of negative growth. In overseas economies, Asia continued its robust performance, but the U.S. was lackluster on the whole and Europe remained sluggish.

Our performance in fiscal year 2003 was not satisfactory, but even in such a harsh economic environment, we were able to set the stage for future growth.

Total trading transactions decreased by ¥938.9 billion, or 8.2%, compared to the previous fiscal year. The Aerospace, Electronics & Multimedia Company witnessed a drop off in sales due to the slump in the domestic IT industry. Sales of the Plant, Automobile & Industrial Machinery Company; the Energy, Metals & Minerals Company; and the Construction & Realty Division also decreased year-on-year due to stagnant markets and our efforts to reduce less profitable transactions. Total trading transactions were further adversely affected by the transfer of our steel business in the previous fiscal year to equity-method affiliate Marubeni-Itochu Steel, Inc. **Gross trading profit** decreased by ¥12.8 billion, or 2.2%, to ¥566.0 billion compared to the previous fiscal year, but we were able to boost the **gross trading profit ratio** by 0.33 percentage point to 5.41%. Our continuing efforts in recent years to reduce less profitable transactions and under-performing assets have brought about solid improvements to our gross trading profit ratio.

Reductions in selling, general and administrative expenses of ¥17.0 billion, or 3.7%, have contributed to an increase in **trading income*** of ¥4.2 billion, up 4.4% year-on-year to ¥100.7 billion recovering trading income* to the ¥100 billion mark. We also posted improvements in net financial expenses and equity in earnings of associated companies. A sharp drop in stock prices near the fiscal year-end, however, forced us to take considerable devaluation and disposal losses on marketable securities totaling ¥44.7 billion, which led to a **net income** of ¥20.1 billion, down by ¥10.1 billion, or 33.5%, from the previous fiscal year.

In addition to the above, we also pay close attention to another indicator of profitability, **adjusted profit** (gross trading profit + selling, general, and administrative expense + net financial expenses + equity in earnings (losses) of associated companies). This key indicator hit an all-time high, increasing by ¥12.8 billion to ¥115.5 billion, as we have continued to steadily boost our basic earning power.

Resource Allocation Prioritized Based on A&P Strategy

Under our previous mid-term plan, A&P-2002, which covered the period from April 2001 to March 2003, we worked to reform our profit structure based on our A&P strategy. We worked to strengthen overall profitability by allocating assets to priority areas in which ITOCHU can offer "attractive" products and services for customers and in which we exhibit "powerful" capabilities. Specifically, we prioritized as A&P segments four business segments—information and multimedia, consumer and retail related, natural resource development, and financial services as well as the two regions of North America and Asia.

During this two-year period, **the ratio of A&P assets to total assets** increased from 44% to 50%. And, under the tough economic conditions notwithstanding, **consolidated net income from A&P segments** grew by ¥5.2 billion compared to the previous fiscal year to ¥50.7 billion. Thus, A&P segments have grown to become the unquestionable drivers of ITOCHU's profits.

Maximization of Group Value by Strengthening Group Companies and Financial Position

ITOCHU is strengthening its group companies to make them the key players in our overall profit.

To achieve this objective, under A&P-2002, we worked to maximize the value of the entire group; restructuring unprofitable companies and withdrawal of under-performing operations were one initiative. During the two-year period, **the number of consolidated companies** decreased by 89 to 651. This number represents less than two-thirds of the total as of March 1999, which was 1,027. Over the two-year period of A&P-2002, **net income from subsidiaries and affiliates,** excluding overseas trading subsidiaries, grew from ¥23.1 billion (net of ¥64.7 billion in profits from companies in the black and ¥41.6 billion in losses from those in the red) to ¥47.4 billion (net of ¥62.1 billion in profits and ¥14.7 billion in losses). During the same period, **the ratio of profitable companies, including overseas trading subsidiaries, to the total number of consolidated companies** jumped from 73.5% to over 80% (80.2%).

Additionally, we have made steady progress in strengthening our consolidated financial position over the past two years. We have reduced total assets and interest-bearing debts largely ahead of our original plan. **Total assets** have been reduced by around ¥670 billion to ¥4,486.4 billion, while **net interest-bearing debts** have been reduced by over ¥500 billion to almost ¥2 trillion. At the same time, **stockholders' equity** increased by over ¥100 billion to ¥426.2 billion at the end of March 2003, as we accumulated retained earnings and offered new shares in July 2002 with an effect of ¥54.8 billion increase in stockholders' equity. As a result of these activities, the **stockholders' equity ratio** increased from 6.1% to 9.5% and our **net DER** (net debt-to-equity ratio) improved from 8.0 to 4.8. Nevertheless, we are not satisfied with the current level of stockholders' equity. We plan to increase it further by retaining earnings, while maintaining consistent and stable dividend payments to our stockholders.

Doubling Profits with Super A&P Strategy

Based on the progress made under A&P-2002, we began implementing Super A&P-2004, a new two-year mid-term plan covering the period from April 1, 2003 to March 31, 2005.

Under the new plan, we will further enhance the strategies laid out in the previous A&P plan in order to more fully satisfy our customers, stockholders, employees and society as a whole. We plan to continue strengthening our existing designated profit-driving A&P segments (information and multimedia, consumer and retail related, natural resource related, financial services, North America and Asia).

> We also regard the consumer and retail related sector as a "super powerful" segment in which ITOCHU has a strong market presence.

With the new plan, at the same time, we also regard the consumer and retail related sector as a "super powerful" segment in which ITOCHU has a strong market presence, and the China business, information and media, solutions, and natural resources as "attractive" businesses to strengthen. Further, as a driving tool for the future, we intend to develop new businesses that are related to innovative technologies in fields such as biotechnology and nanotechnology.

For the two-year period under the new plan, we intend to increase the ratio of A&P assets to total assets from 50% to 74% including assets in the newly nominated "highly-efficient" segment from fiscal year 2004, and consolidated net income from A&P segments from ¥50.7 billion to ¥88.0 billion. To reach these goals, we will advance our "selection and concentration" strategy by analyzing the business efficiency of 120 business units and applying one of three strategies: "profit doubling," "2% & 8%" (for semi-core business units in which we target an ROA of 2% and a risk return index (RRI) of 8%), or "reduction or exit." We intend to both increase profits and strengthen our financial position by reducing total assets and aggressively reallocating assets.

Initiatives to Bolster Super A&P Strategy

We have set out four major initiatives for Super A&P-2004.

Executive Vice President, Makoto Kato, has taken on the responsibility for supervising the consumer and retail related sector, our designated "super powerful" segment in which ITOCHU enjoys an overwhelming competitive advantage. He will manage a cross-company project system that encompasses the three fields of textiles; foods; and chemicals, forest products, and general merchandise; and will work to integrate all businesses that are closely related to daily consumer needs. ITOCHU is admittedly one of the largest textile companies in the world. Our food business boasts a top-tier domestic distribution and wholesale network, and our forest products and general merchandise business has a strong presence in the construction and housing materials market. In addition, each of these businesses is characterized by a vertical synthesis of upstream, midstream and downstream businesses; that is, the integration of raw materials procurement and production, wholesaling, distribution and processing, and retailing. We have decided that it is time for us to leverage the sizable synergies that potentially exist in the three fields, and to strengthen horizontal syntheses through inter-segment consumer related projects.

For our second initiative, we set up the China Market Global Development Office to bolster our overall China-related business. The word "global" was included in the department name to indicate that our global strategy is centered on China. In other words, all ITOCHU teams in Japan, the U.S., and Europe come together as one to tackle businesses related to China. This approach differs considerably from the conventional business model of trading companies, which has been based on bilateral trade between Japan and China. ITOCHU has a longer history in China than any other

Japanese trading company, and boasts a network of 14 local offices and more than 200 companies in which we have invested. We will develop our global business based on a “leveraged growth strategy” in which partners in global alliance mutually utilize strengths of the others, and will thereby capitalize on our strength in China to promote large-scale businesses on a global basis together with powerful partners.

Our third initiative involves developing innovative technologies, including biotechnology and nanotechnology. We already have in place the Innovative Technology Business Development Office, and it plays a central role in gathering and analyzing information on promising technologies from all over the world. Our focus here is on creating new businesses based on new technologies that leverage ITOCHU’s strengths, an approach to apply newly developed technologies into businesses, which differs from simply developing new technologies. Although many promising fields exist, we see a tremendous business opportunities in the consumer and retail related sector. In addition to a variety of potential applications of biotechnology to medicine and food, we believe we will be able to create a number of truly innovative businesses. For instance, we have an alliance with Hitachi Ltd. to develop applications for their “μ-chip,” the world’s smallest wireless IC tag. We see a great potential to develop new businesses that combine the μ-chip with the nearly 120 brands we handle. We have already experimented with applications for several sports and fashion brands that would improve inventory efficiency and prevent counterfeiting. I expect such initiatives will demonstrate ITOCHU’s creativity and ambition in taking on innovative technologies.

Our final initiative represents an evolution from the previous mid-term plan. We have significantly increased the scale of funds available for strategic investments because of the current imperative to obtain quality assets in order to strengthen businesses with high growth potential in the future. Specifically, we have increased the fund for strategic investments from ¥40 billion to ¥200 billion in terms of assets. In addition, the Super A&P Strategic Investment Committee helps make timely and appropriate decisions regarding strategic investments, including mergers and acquisitions to reinforce businesses, acquisitions of new technologies, and business expansion in the Asian region. Priority areas for fund allocation will be A&P segments that are expected to contribute to our target of profit doubling and mid- to long-term development projects. At the same time, we will unhesitatingly reduce the assets of or withdraw from business units that exhibit little growth potential and those that fail to enhance efficiency.

Aiming to Become the Strongest Corporate Group

Our full-scale reforms began with the Global-2000, which was executed from April 1999 to March 2001. In fiscal year 2000 under this plan, we wrote off large bad debts and other negative legacies totaling ¥303.9 billion. After that, under A&P-2002, we reorganized our profit structure and restructured our management system. Owing to these reforms, we substantially improved both profitability and financial position, elevating employees’ sensibility to return against risks. Now, I have the sense that the big gears inside ITOCHU that were long covered with rust are beginning to inch forward, which resulted from four years of effort by our employees and group companies. These huge, heavy gears are regaining their fuel and beginning to enter a phase of acceleration. Riding on this momentum, we are ready to take a big leap toward higher profitability.

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With strong business foundations in such high-growth areas as the consumer and retail related segment and China-related business, ITOCHU is aiming to become the strongest group by collaborating internally and optimizing business structures. We have an ambitious goal of creating a group whose companies rank at the top of their respective industries and which generates a consolidated net income of ¥100 billion. Originally, we planned to achieve this goal by March 2005. However, given increasing uncertainties in the global economy, lingering deflation in Japan and the indeterminate impact of SARS, we have decided to revise this plan back one year. **In fiscal year 2005, we will strive to produce consolidated net income of ¥75 billion, prior to this final goal.**

> Since assuming the position of president, I have continuously emphasized the importance of a "clean, honest and beautiful" business attitude.

Corporate Governance and Compliance

In order to promote greater transparency in management, we set up an Advisory Board and strengthened the role of the Board of Corporate Auditors. We also have in place a Group Audit Committee, which is composed of auditors from major group companies, to more effectively monitor the activities of the ITOCHU Group. A Compliance Committee led by the Chief Compliance Officer was also established to ensure compliance with all laws, regulations and policies.

We will not, however, become complacent. The essence of corporate governance and faithful compliance does not lie in formality. Every executive and employee must practice strict self-control, and be aware that people tend to prioritize their own benefit. Without this in mind, even the best system would not guarantee real improvement.

Since assuming the position of president, I have continuously emphasized the importance of a "clean, honest and beautiful" business attitude. We are now entering a growth stage in which ethics will play greater role than ever before. I will strive to imprint this idea firmly in the DNA of ITOCHU.

Thank you very much for the trust you have placed in us. To reward this trust, I promise to make ITOCHU a more attractive company to our customers and a more powerful company for our stakeholders.

July 2003

Uichiro Niwa
President and Chief Executive Officer