

and logistics services, largely improving net income (loss) from these areas from a loss of ¥51.5 billion to a profit of ¥0.7 billion.

2) Maximization of Group Value

Net income from subsidiaries and associates, excluding overseas trading subsidiaries, doubled from ¥23.1 billion in fiscal year 2001 to a record-high of ¥47.4 billion, net of a ¥62.1 billion profit from profitable companies and a ¥14.7 billion loss from unprofitable companies. During the two-year period, the ratio of profitable companies, including overseas trading subsidiaries, to total number of consolidated companies increased by 6.7 percentage points to 80.2%. As a result of our aggressive restructuring for two years, the total number of consolidated companies including overseas trading subsidiaries decreased by 89 to 651, consisting of 468 subsidiaries and 183 associated companies as of March 2003.

3) Improvement of Consolidated Financial Position

Over two years we have reduced our consolidated total assets by ¥671.1 billion and net interest-bearing debts by ¥511.8 billion. We made substantial strides in financial position, well ahead of schedule, and our net DER (net debt-to-equity ratio) improved from 8.0 times to 4.8 times. Our consolidated stockholders' equity returned to over ¥400 billion for the first time in five years, standing at ¥426.2 billion as of March 2003, despite not reaching our goal of ¥440 billion. Although there was a ¥54.8 billion increase in stockholders' equity due to our issue of new shares in July 2002, it was partly offset by the decrease from the previous fiscal year in accumulated other comprehensive income mainly due to a ¥20.6 billion deterioration in foreign currency translation adjustments, which resulted from a stronger yen at the end of the fiscal year, and a ¥17.8 billion deterioration in unrealized gains/losses on securities due to the stagnant stock market in Japan.

Allocation of Resources to A&P Segments (Assets)

	Billions of Yen			
	Results	Results	Plan	Plan
As of March 31	2001	2003	2004	2005
Information and Multimedia	518.6	486.1	430.0	500.0
Consumer and Retail Related	1,080.0	1,025.2	1,160.0	1,240.0
Natural Resource Development	242.9	354.5	410.0	460.0
Financial Services	233.2	163.1	180.0	220.0
North America	184.4	154.2	200.0	280.0
Asia	—	69.7	80.0	80.0
Total A&P	2,259.1	2,252.8	2,460.0	2,780.0
Total A&P to total assets	44%	50%	55%	63%
Other "highly-efficient" segments	—	—	410.0	460.0
Total A&P and other "highly-efficient" segments to total assets	—	—	64%	74%
Total non-A&P	2,898.4	2,235.5	1,580.0	1,160.0

4) Promotion of Overseas Regional and Market Strategies

We have strengthened the regions of North America and Asia, positioning them as A&P segments (see page 34 for details). Our business in North America for fiscal year 2003 shrank in net income compared to that two years earlier. Despite good business results in such fields as distribution of tires and wholesale of building materials, the slumps in auto leasing and small-size power generator businesses and a change in accounting methods for goodwill adversely affected overall results. On the other hand, we successfully strengthened the highly efficient machine maintenance business for power plants and bottlers. In Asia, although the consumer financing business decreased its growth rate, we were able to expand local and regional trading and reinforce our base for growth centering on China (see page 13 for details).

Building Management Structure to Support a New ITOCHU Group – "Reorganization of the Management System"

Along with reorganizing our profit structure, we have devoted ourselves to innovating our management system.

First, we improved a divisional management system to establish autonomous management in each Division Company. In the area of human resource strategy, we allocated valuable human resources to group companies to include them as a core part of ITOCHU's group profit structure. We further promoted training programs to train capable overseas national staff for management positions, most notably through our Asian Leadership Program. We also made steady progress both in corporate governance (see page 38-39 for details) and in risk management (see page 16 for details).

Consolidated Net Income Earned from A&P Segments

	Billions of Yen			
	Results	Results	Plan	Plan
Years ended March 31	2001	2003	2004	2005
Information and Multimedia	23.6	14.3	8.0	14.0
Consumer and Retail Related	15.4	22.3	30.0	38.0
Natural Resource Development	7.5	9.2	10.0	13.0
Financial Services	3.0	4.0	5.0	10.0
North America	6.0	-2.0	2.0	8.0
Asia	—	2.9	3.0	5.0
Total A&P	55.5	50.7	58.0	88.0
Total A&P to net income	79%	252%	129%	117%
Other "highly-efficient" segments	—	—	8.0-10.0	10.0-15.0