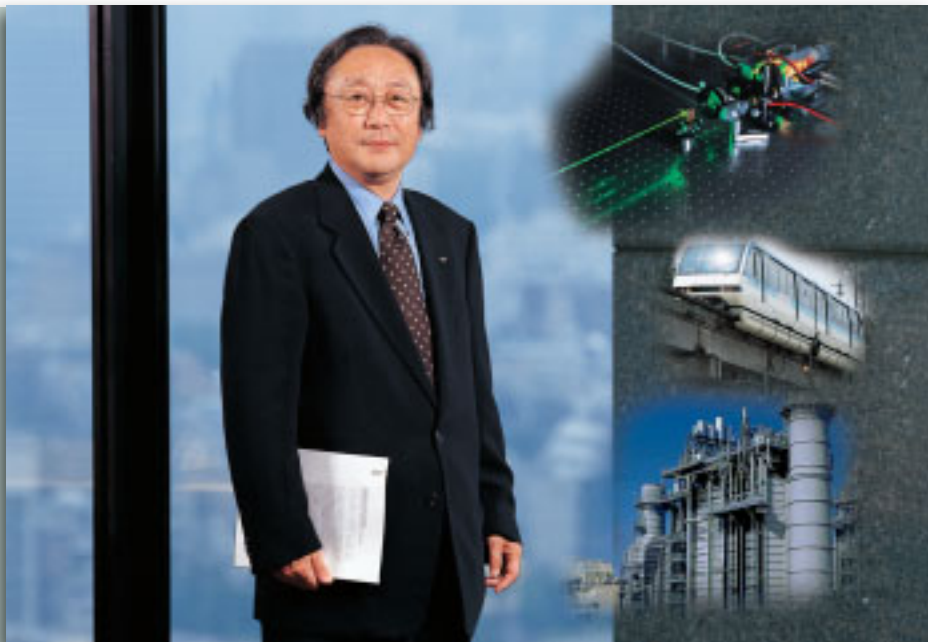


Plant, Automobile & Industrial Machinery Company

Message from the Division Company President

As the result of a two-year intensive restructuring following the ¥10.0 billion net loss in fiscal year 2001, we reported a net income in fiscal year 2002. Furthermore, in fiscal 2003, trading income returned to profit following the trading loss the year before. During the last two fiscal years, we disposed of non-performing assets, restructured under-performing group companies, and accelerated the collection of outstanding debts. As a result, not only did we reduce assets by ¥158.9 billion, but net income improved sharply from a ¥10.0 billion loss to a ¥2.4 billion profit. Under the Super A&P-2004 Mid-term Plan, our challenge is to develop and materialize new businesses and further improve asset efficiency. Our key-words are; "new technology," "service and solution," "strategic investment," and "integrated function."



Business Performance in Fiscal Year 2003

Trading transactions in fiscal year 2003 declined by ¥190.7 billion compared to the previous year, mainly due to the withdrawal from less profitable businesses and an unexpected under-performance in the construction equipment business in North America. Gross trading profit, however, decreased only by ¥1.6 billion due to an increase of auto exports to China and the Middle East. A reduction of selling, general and administrative expenses and provision for doubtful accounts contributed to a ¥5.8 billion improvement in trading income* and a ¥1.1 billion increase in net income.

What We Did in Fiscal Year 2003

The oil and gas development and related transportation market is in a growth phase and highly profitable. It is an area where we can utilize our strong know-how in organizing and financing projects. In fiscal year 2003, ITOCHU was awarded an LNG transportation project in Algeria and an offshore oil transportation project in Brazil. As a strategic investment in the renewable energy sector, ITOCHU acquired an engineering company specializing in biomass energy in Europe.

ITOCHU's automotive-related services business is an area that stands to grow through the vertical and horizontal development of ITOCHU's existing finance, retail, and distribution businesses. In fiscal year 2003, we expanded our new- and used-car dealer network in the U.S. and U.K., formed a business and capital tie-up with Yanase, the largest domestic retailer of imported cars, and established an automobile financing company

in Indonesia.

The domestic deregulation and services related market is also growing fast, particularly in power supply, distribution and outsourcing services. EneSol Inc. (formerly "ITOCHU Energy Solution Co., Ltd."), an ITOCHU Group company that provides energy-saving and power retailing services, expanded its businesses to strengthen its position in this fast-growing field. In order to further develop its business platform for the future, ITOCHU also acquired 20% of the shares of Mystar Engineering Corp., a company specializing in 3rd party mechanical maintenance.

In addition, we have continuously strengthened the export of automobiles and auto parts to developing countries. This is an area where we have a high market share and expect further growth in demand. We also continue to strengthen the medical field, which offers opportunities for business expansion and stable growth; the electronic and semiconductor field, where we have an advantage in flat panels; and the new technology field, where we deal in advanced laser technology and new urban-transit systems.

Akira Yokota
President, Plant, Automobile &
Industrial Machinery Company