

Chemicals, Forest Products & General Merchandise Company

Message from the Division Company President

Under the A&P-2002 Mid-term Plan, in addition to expanding retail and downstream growth areas through the acquisition of tire distributors in the U.S. and Europe, we selectively weighted company resources through such additional investments as in a Brazilian pulp and paper business (CENIBRA). As a result, over the past two years not only have total assets decreased by ¥49.0 billion, net income has increased by ¥8.3 billion.

Under the Super A&P-2004 Mid-term Plan, in the chemical sector, we will expand the sales of raw material for synthetic fiber, electronic materials, plastics parts for automobiles, and food packaging in the growth markets of China and other Asian countries. In the general merchandise area, in addition to strengthening the housing and construction material retail business and the global expansion of tire sales, we will expand and strengthen the pulp business centering on CENIBRA.



Business Performance in Fiscal Year 2003

Supported by a recovery in chemical prices, a favorable tire business in North America and Europe, and strong construction materials business in the U.S., trading transactions increased by ¥64.0 billion, gross trading profit grew ¥6.4 billion and trading income* rose ¥4.5 billion compared to the previous fiscal year. In addition to the increase in trading income*, net income showed a sharp rise of ¥10.9 billion due to improved equity in earnings of associated companies and lower valuation losses on marketable securities.

What We Did in Fiscal Year 2003

In the rubber and tire area, up to now we have been building the foundation of a solid tire distribution business in North America and Europe. In our domestic operation, from fiscal year 2003, in addition to our conventional tire outlets, we have begun operating large-scale car parts and accessory stores. We aim to expand profits further through comprehensive development of our tire business including retail business in the three major regions of Japan, the U.S., and Europe alongside tire exports and our natural rubber processing business.

In the chemical product field, we are proactively taking strategic steps to grow business in China and Asia, taking advantage of the market growth. In addition

to starting an acrylic sheet manufacturing business in Thailand and an anhydrous fluoric acid manufacturing business in China, we added capacity at compound manufacturer Hexa Color (Thailand) Ltd., and packaging manufacturer Narai Packaging (Thailand) Co., Ltd.

In the pulp and paper business, we expanded and improved our global pulp sales network for the pulp produced by CENIBRA. We also worked to expand transactions in China and throughout Asia, where both paper production and consumption are rapidly growing. Domestically, we integrated our paper and paper products business in ITOCHU Pulp & Paper Corp. and improved efficiency throughout our group by developing a unified system to handle everything from forestation to end product sales.

Our company is deeply involved in everyday life and deals with a variety of products in this area. We will further create new value and services through our consumer and retail related business as well as environmental conservation-oriented business.

Toshihito Tamba
President, Chemicals, Forest Products &
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