

Finance, Realty, Insurance & Logistics Services Company

Message from the Division Company President

By exiting from inefficient assets and developing new businesses under our A&P-2002 Mid-term Plan, during its two years we reduced assets by ¥134.4 billion and improved the net loss from ¥40.9 billion to ¥8.4 billion. Although the segment remains in the deficit overall, the A&P segment of financial services related is generating steady profit.

Under the Super A&P-2004 Mid-term Plan, we plan to further reinforce our earnings base by continuing to promote new businesses in our core areas. These include the consumer finance business and private equity (PE) business, insurance business, and the 3rd Party Logistics (3PL). We aim to restore profitability on a trading income* basis in fiscal year 2005 by further reducing inefficient assets in the construction and realty fields.



Business Performance in Fiscal Year 2003

Despite active condominium sales, trading transactions decreased by ¥185.9 billion due to withdrawal from inefficient transactions in housing lot sales business and gross trading profit was down ¥0.5 billion due to valuation losses on residential land compared with the last fiscal year. Due to the provision for doubtful accounts that occurred in the previous fiscal year and the effect of cost-cutting, trading loss* improved ¥6.6 billion and the net loss improved ¥1.4 billion.

What We Did in Fiscal Year 2003

In the consumer finance business, Famima Credit Corporation made its full-scale entry into the credit card business when it started accepting applications for its *Jupi Card* in May 2002. **In the PE business,** in September 2002 ITOCHU formed the *Raffia Fund*, a buyout fund targeting all types of businesses, with Shinsei Bank; and the *IDA Fund*, a specialized buyout fund aimed at information system companies, with Aozora Bank. In March 2003, the *Raffia Fund* made its first acquisition with the purchase of the JASDAQ-listed ROKI TECHNO Co., Ltd., the largest manufacturer of cartridges for liquid filtration. **In the construction and realty field,** we withdrew from inefficient assets and devoted energy to efficient condominiums and solution businesses such as PFI** and securitization.

In the insurance field, we started a service of creation and operation support of employees benefit package with the goal of evolving from a traditional insurance brokerage business into a risk solution provider. Also, we started handling group credit insurance that disperses underwriters' risks and offers eased conditions for signing up by grouping corporations and nonlife insurance companies respectively.

In the logistics area, we promoted our 3PL business for pharmaceutical makers and a total of seven companies are using our six domestic distribution centers. We are also promoting the logistics business in China and other overseas locations through our subsidiaries, i-LOGISTICS CORP., China based Beijing Pacific Logistics Co., Ltd. and Hungary based Eurasia Sped KFT. We will continue to expand our 3PL business going forward, concentrating on the key areas of pharmaceuticals, consumer products and automobile industry.

Hiroshi Ueda
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