

The breakdown of interest-bearing debts as of March 31, 2003 and those as of March 31, 2002 were as follows:

	Billions of Yen		Millions of U.S. dollars
	2003	2002	2003
Short-term loans payable	¥ 465.1	494.6	\$ 3,869
Current installments of long-term debt	338.5	335.6	2,816
Commercial paper	0.0	10.0	0
Current installments of debentures	187.3	151.2	1,559
Short-term total	990.9	991.4	8,244
Long-term loans payable	1,336.9	1,420.9	11,122
Debentures	217.4	344.8	1,809
Long-term total	1,554.3	1,765.7	12,931
Total interest-bearing debts	2,545.2	2,757.1	21,175
Effect of SFAS 133 adoption (Note)	29.2	37.6	243
Adjusted total interest-bearing debts	2,574.4	2,794.7	21,418
Cash, cash equivalents and time deposits	(549.4)	(498.3)	(4,571)
Net interest-bearing debts	¥2,025.0	2,296.4	\$16,847

(Note) Increase in interest-bearing debts as a result of the adoption of SFAS (Statement of Financial Accounting Standards) No.133

The differences between carrying amounts and estimated fair value of interest rate SWAP agreements are posted on the balance sheet as derivative assets/liabilities. For borrowings, which are hedged with derivatives, fair value is used as an amount posted in the balance sheet.

Financial Position - A Comparison between March 31, 2003 and March 31, 2002

Total assets as of March 31, 2003 decreased by ¥265.9 billion from March 31, 2002 to ¥4,486.4 billion (US\$37,325 million), as a result of disposal of inefficient assets to improve asset efficiency, as well as asset devaluations caused by a decline in stock prices and an appreciation of the yen at the end of the fiscal year.

Trade receivables (less allowance for doubtful receivables) decreased by ¥72.6 billion to ¥1,028.3 billion (US\$8,555 million), as a result of increased debt collection mainly in the Textile, Machinery and Food sectors.

Inventories decreased by ¥23.8 billion to ¥402.2 billion (US\$3,346 million), due to reductions in inventories mainly in the Machinery and Construction sectors.

Other current assets decreased by ¥47.0 billion to ¥196.1 billion (US\$1,631 million), mainly due to the collection of short-term lending.

Other investments decreased by ¥83.0 billion to ¥339.5 billion (US\$2,825 million), due to falls in stock prices, sales of listed stocks, and the early redemption of debentures.

Other non-current receivables (less allowance for doubtful items) decreased by ¥74.8 billion to ¥259.5 billion (US\$2,159 million), as a result of the promotion of sales and collection of long-term receivables, additional appropriation of provision for doubtful accounts, and an appreciation in the value of the yen as of the end of the fiscal year.

Property and equipment, at cost (less accumulated depreciation) decreased by ¥36.2 billion to ¥592.5 billion (US\$4,929 million), due to changes by some subsidiaries to equity-method affiliates following lowered share holding by ITOCHU, in addition to a decrease caused by appreciation of yen at the end of the fiscal year.

Prepaid pension cost rose ¥68.6 billion to ¥225.7 billion (US\$1,878 million), as a result of additional contributions to an employee pension trust.

Trade payables fell ¥50.3 billion to ¥937.7 billion (US\$7,801 million), with decreases particularly in Textile, Machinery and Food sectors.

Gross interest-bearing debts as of March 31, 2003 decreased by ¥220.3 billion from March 31, 2002 to ¥2,574.4 billion (US\$21,418 million) after the Company raised funds through a

public offering of common stock, repaid some loans payable and redeemed debentures following reduction of total assets to enhance asset efficiency, in an ongoing effort to reinforce its consolidated financial position.

Stockholders' equity increased by ¥28.6 billion to ¥426.2 billion (US\$3,546 million). This increase resulted from a ¥20.1 billion increase in the accumulation of net income and a public offering of common stock which increased stockholders' equity by around ¥55.0 billion. These gains were partly offset by a deterioration of foreign currency translation adjustments of ¥20.6 billion following an appreciation of the value of the yen at the end of the fiscal year and a deterioration of unrealized gain (losses) on securities of ¥17.8 billion, which represents an unrealized gain for listed stocks, following the decline in stock prices.

Reserves for Liquidity

As a basic policy, ITOCHU maintains "liquidity reserves" (an adequate amount of liquidity) to cover "necessary liquidity" (short-term interest-bearing debts and contingent liabilities due within three months from a certain point of time). This policy is based on a scenario where new funding may be unavailable for about three months because of a market turmoil. In such a case, ITOCHU must maintain adequate reserves to repay liabilities in order to be capable of coping with unpredictable events.

Primary liquidity reserves increased by ¥161.1 billion from March 31, 2002 to ¥1,009.4 billion, which consisted of ¥549.4 billion of cash, cash equivalents and time deposits, and ¥250.0 billion of short-term commitment line agreements and ¥210.0 billion of long-term commitment line agreements. The main reason that primary liquidity reserves increased was that ITOCHU increased the total amount of commitment lines by setting up additional commitment line agreements and increased cash, cash equivalents and time deposits to prepare for the scheduled redemption of debentures in fiscal 2004.

The total amount of liquidity reserves, or primary liquidity reserves and secondary liquidity reserves (other assets that can be changed into cash in a short period of time), stood at about ¥1,440.0 billion as of March 31, 2003. ITOCHU believes that this amount constitutes adequate reserves of liquidity, since it is more than three times necessary liquidity, which amounted to about ¥420.0 billion as of March 31, 2003.