

The Company and its subsidiaries were contingently liable in the amounts of ¥6,293 million (\$59 million) and ¥10,999 million for the total trade notes receivable endorsed to suppliers in the settlement of accounts payable and discounted trade notes receivable on a recourse basis with banks at March 31, 2005 and 2004, respectively. The amounts of export bills of exchange discounted with banks in the ordinary course of business were ¥72,317 million (\$673 million) and ¥53,940 million at March 31, 2005 and 2004, respectively.

In July 2001, Citibank, N.A. and Citibank Canada, a wholly-owned subsidiary of Citibank, N.A. (together, "Citibank"), filed a complaint against ITOCHU International Inc. and III Holding Inc. (previously named Copelco Financial Services Group, Inc.), a wholly owned subsidiary of ITOCHU International Inc. (collectively, "III"), in the United States District Court for the Southern District of New York. Citibank was alleging violation of the federal securities laws, fraud and breach of contract and related claims arising in connection with Citibank's acquisition of all the common stock of Copelco Capital, Inc. ("Copelco"), a former wholly-owned subsidiary of III Holding Inc., for a purchase price of approximately U.S.\$666 million in May 2000. More specifically, Citibank was alleging that Citibank relied on the accuracy of Copelco's financial statements and other documents and statements provided and given by III to Citibank and that such financial statements had not been prepared in compliance with U.S. GAAP and/or in accordance with Copelco's internal accounting rules and practices in connection with, inter alia, accounting and collec-

tion policies and procedures of lease receivables, the amount of charge-off concerning delinquent lease receivables, loss reserve methodology, earnings from general ledger accounts and reconciliation of investment accounts, based upon which Citibank sought compensatory damages and related costs and attorney's fees. Disclosures made by Citibank during pre-trial discovery indicated its belief that the total amount of the damages suffered was approximately U.S.\$459 million. In February 2005, pursuant to a stipulation with III, Citibank dismissed with prejudice its claims related to the alleged violation of the federal securities laws and fraud, and withdrew its suit in the United States District Court. Plaintiff then re-filed its complaint against III in the New York Supreme Court for New York County alleging breach of contract and contractual indemnity. According to the complaint re-filed by Citibank, Citibank is alleging that Copelco's stockholder's equity was overstated by approximately U.S.\$159 million and it continues to seek an unspecified amount of compensatory damages and related costs and attorney's fees as noted above.

III is defending this action vigorously and maintains that it has no liability in this matter. However, due to the inherent uncertainty of litigation, it is not possible to predict the ultimate outcome of this litigation. Accordingly, there can be no assurance that III will prevail in the action or that the Company's consolidated financial position may not be materially adversely affected by such action.

23. Subsequent events

At the ordinary general meeting of shareholders held on June 29, 2005, the Company was authorized to pay a cash dividend of ¥7 (\$0.07) per share, or a total of ¥11,085 million (\$103 million) to shareholders of record on March 31, 2005.

The Company was also authorized to amend the Articles of Incorporation to provide that the Company could purchase outstanding shares of its own common stock upon resolution of the Board of Directors.