

### Gross Trading Profit

Gross trading profit in fiscal 2003 fell ¥12.8 billion, or 2.2%, year on year to ¥566.0 billion (US\$4,709 million). However, this was principally due to an approximately ¥21.0 billion decline in gross trading profit following the transfer of the steel operations to Marubeni-Itochu Steel Inc., an affiliate accounted for by the equity method. If this sum had not been subtracted from gross trading profit, then gross trading profit would actually have risen by ¥8.2 billion. Despite harsh business environments in Japan and overseas, underlying gross trading profit remains solid because of positive results in the fashion brand business, tire retail and the housing materials business in the U.S. and Europe, and the retail product business. The positive results in these areas allowed ITOCHU to offset the negative effects of domestic IT subsidiaries due to IT recession. In fiscal 2004, ITOCHU expects gross trading profit to rise ¥34.0 billion to around ¥600.0 billion from the year before because of growth in the textile business in the consumer and retail sectors, increased automobile trading volume, and a rise in the trading volume of food materials.

### Trading Profit after Selling, General and Administrative Expenses

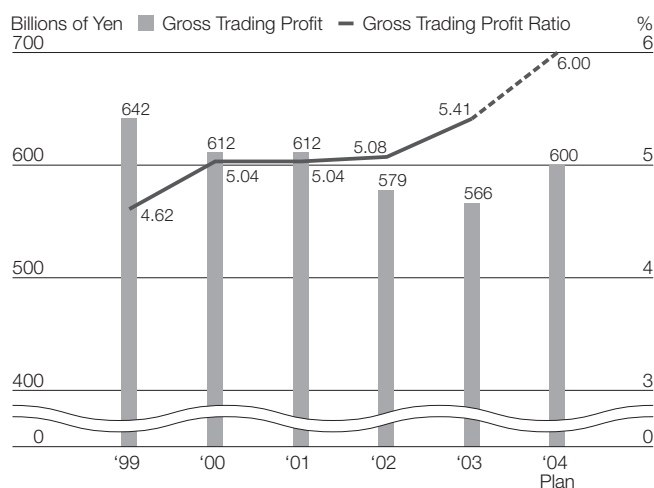
\*Gross Trading Profit + Selling, General and Administrative Expenses

Trading profit after selling, general and administrative expenses in fiscal 2003 rose ¥4.2 billion, or 3.7%, from the year before to ¥117.6 billion (US\$978 million). Trading profit after selling, general and administrative expenses would have actually increased by about ¥11.2 billion if the ¥7.0 billion negative impact of the transfer of the steel operations to a new equity-method affiliate had been ignored. This performance was due mainly to stable gross trading profit as well as cost cutting efforts, particularly at domestic IT subsidiaries. Amid a harsh business environment, ITOCHU's earning power remains relatively high compared to that of its competitors. In fiscal 2004, ITOCHU expects trading profit after selling, general and administrative expenses of around ¥125.0 billion, a ¥7.4 billion increase from the previous year. This rise will be due to an increase in gross trading profit which will offset the effects of a temporary expense that will occur following the transfer to the Japanese Government of the substitutional portion of its Employee Pension Fund Plan.

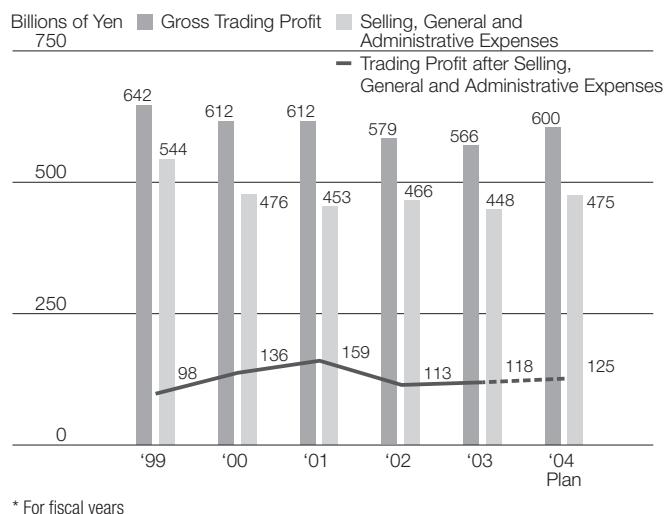
### Provision for Doubtful Accounts

Provision for doubtful accounts in fiscal 2003 was ¥16.8 billion (US\$140 million), the same level as the previous year. ITOCHU's ongoing efforts to improve its financial strength, including a significant reduction in unprofitable businesses and the reinforcement of risk management, have resulted in a decrease in provision for doubtful accounts from fiscal 2000, when it was ¥92.1 billion, and from fiscal 2001, when it was ¥49.8 billion. ITOCHU will continue to strengthen its risk management to lower provision for doubtful accounts even further. In fiscal 2004, ITOCHU forecasts provision for doubtful accounts of around ¥15.0 billion.

### Gross Trading Profit



### Trading Profit after Selling, General and Administrative Expenses



### Provision for Doubtful Accounts

