

Net cash provided by operating activities was ¥168.8 billion (US\$1,405 million) in the year ended March 31, 2003, following mainly collection of trade receivables, but ¥47.7 billion lower than the previous fiscal year, which is due to changes in trade receivables and payables.

Net cash provided by investing activities was ¥5.3 billion (US\$44 million), mainly due to the sale and collection of long-term receivables, and the sale of marketable securities. Net cash-inflow from investing activities fell by ¥208.8 billion from the previous fiscal year. This followed a large cash-inflow in the previous fiscal year that resulted from the collection of long-term receivables before they were due, and a net decrease in time deposits and similar instruments.

Net cash-outflow in financing activities was ¥114.0 billion (US\$949 million). Repayment of interest-bearing debts continued to be made using proceeds from a public offering of common stock, net cash provided by operating activities and investing

activities. Net cash-outflow in financing activities was ¥118.0 billion lower than the previous fiscal year.

ITOCHU believes that funding generated by net cash provided by operating activities, borrowing from financial institutions and issuance of stocks or bonds in the capital market will be sufficient to ensure an adequate source of funds to cover the expenditures and payments of liabilities, which it anticipates at this point, now and in the future. However, the actual availability of funding may differ depending on future conditions, such as condition of financial markets, economies, and business environment and other factors, many of which cannot be controlled by ITOCHU. Therefore, ITOCHU is not able to predict accurately the actual fund-raising conditions in the future at this moment. Despite this, ITOCHU is convinced it will be capable of ensuring adequate liquidity from cash flows provided by other sources, even if net cash provided by operating activities falls temporarily.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

ITOCHU issue various guarantees for indebtedness of subsidiaries, associated companies and customers. The amount of guarantees provided by the Company to its subsidiaries are included as subsidiaries' liabilities in its consolidated balance

sheet. Therefore, off-balance sheet guarantees are the total guarantees to associated companies and customers. The breakdown of guarantees as of March 31, 2003 and March 31, 2002 is as follows:

	Billions of Yen		Millions of U.S. dollars
	2003	2002	2003
Guarantees for subsidiaries:			
Maximum potential amount of future payments	¥639.9	729.2	\$5,323
Amount of substantial risk	433.7	531.4	3,608
Guarantees for associated companies:			
Maximum potential amount of future payments	¥343.5	394.4	\$2,858
Amount of substantial risk	126.6	170.6	1,053
Guarantees for customers:			
Maximum potential amount of future payments	¥206.2	220.8	\$1,716
Amount of substantial risk	116.2	124.8	967

The maximum potential amount of future payments of ITOCHU under the guarantee contracts is represented above. The amount of substantial risk represents the actual amount of liability incurred by the guaranteed parties within the pre-determined guaranteed limit established under the guarantee contracts. The amounts that can be recovered from third parties have been excluded in determining the amount of substantial risk. The

disclosures related to guarantees are shown in Note 22 "Contingent Liabilities".

ITOCHU has no material information to disclose on variable interest entities defined under the provisions of Financial Accounting Standards Board Interpretation No.46 (Consolidation of Variable Interest Entities).

The following table shows the breakdown by maturity of repayments of short-term borrowing and long-term debts of all contractual obligations.

	Billions of Yen				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term debts	¥ 465.1	465.1			
Long-term debts	2,163.7	525.8	837.5	519.8	280.6