Net Financial Expenses

Net interest expenses in fiscal 2003 improved ¥4.3 billion year on year to ¥30.7 billion (US$255 million). This was due to a decrease of about ¥250.0 billion in the average outstanding balance of interest-bearing debts from the year before, in addition to the lowered average interest rate of the Group by about 0.6% from the previous year. Despite a decrease in dividends received from an LNG-related investment, overall net financial expenses improved year on year by ¥1.4 billion to ¥20.6 billion (US$171 million). In fiscal 2004, ITOCHU forecasts net financial expenses to rise to around ¥26.0 billion because higher interest rates and a decrease in dividends received are expected.

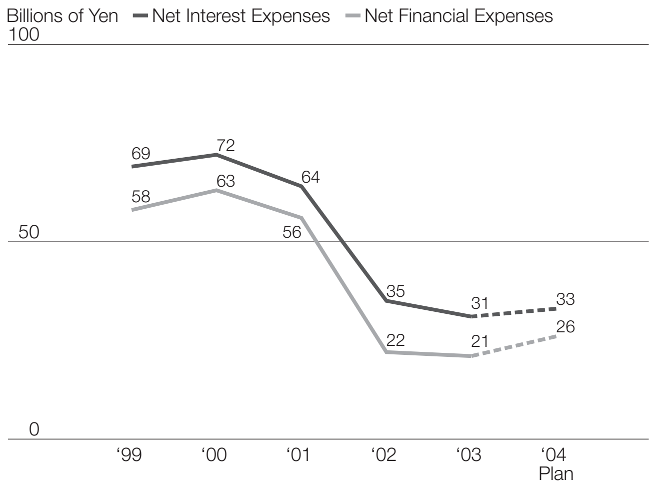
Net Income from Subsidiaries and Associated Companies

ITOCHU recognizes that it is important to increase the proportion of profits from group companies in consolidated net income in order to improve the profit structure of the Group. As a result of ITOCHU's efforts to maximize group value based on its A&P strategy and to reinforce the management of group companies, net income from subsidiaries and associated companies improved substantially to a profit of ¥47.4 billion (excluding overseas trading subsidiaries) in fiscal 2003. This figure is a net of a ¥62.1 billion profit from profitable companies and a loss of ¥14.7 billion from unprofitable companies. By contrast, in fiscal 1999, net income from subsidiaries and associated companies was a loss of ¥15.8 billion (excluding overseas trading subsidiaries), a net of a ¥40.8 billion profit from profitable companies and a loss of ¥56.6 billion from unprofitable companies. This improvement can be attributed to the steady growth of profitable businesses and ITOCHU's aggressive withdrawal from unprofitable businesses. Consequently, the ratio of profitable companies to total group companies was 80.2%, the first time that it has exceeded 80%. In fiscal 2004, ITOCHU forecasts net income from subsidiaries and associated companies of around ¥50.0 billion (excluding overseas trading subsidiaries). This will be a net of a ¥62.0 billion profit from profitable companies and a ¥12.0 billion loss from unprofitable companies.

Net Interest-Bearing Debts, Stockholders' Equity and Net DER (Debt-to-Equity Ratio)

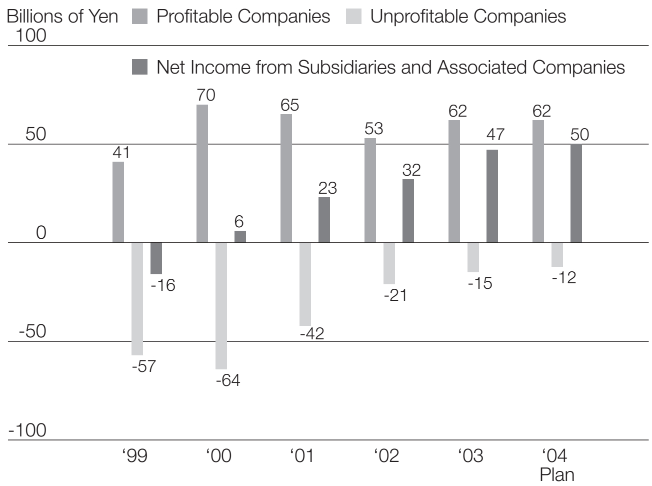
As a result of ITOCHU's efforts to reduce unprofitable assets and interest-bearing debts with its A&P strategy, its financial position significantly improved. Interest-bearing debts, a net of cash, cash equivalents and time deposits, stood at ¥2,025.0 billion (US$16,847 million) at the end of fiscal 2003, a significant improvement from the end of fiscal 1998 when they were ¥4,878.0 billion. Stockholders' equity has also steadily recovered, mainly due to the continued accumulation of retained earnings since the management restructuring in fiscal 2000 and to a public offering of common stock in July 2002 to increase stockholders' equity. This resulted in an improvement of net DER (Debt-to-Equity Ratio) by 1.0 point year on year to 4.8 times as of the end of fiscal 2003. In fiscal 2004, interest-bearing debts will remain roughly the same in spite of a rise because of the plan for funds for strategic investments in selected growth areas such as the consumer and retail related sector, while ITOCHU will accelerate its exit from unprofitable businesses and assets. At the end of fiscal 2004, ITOCHU expects about ¥2 trillion of net interest-bearing debts and net DER of 4.3 times.

Net Financial Expenses



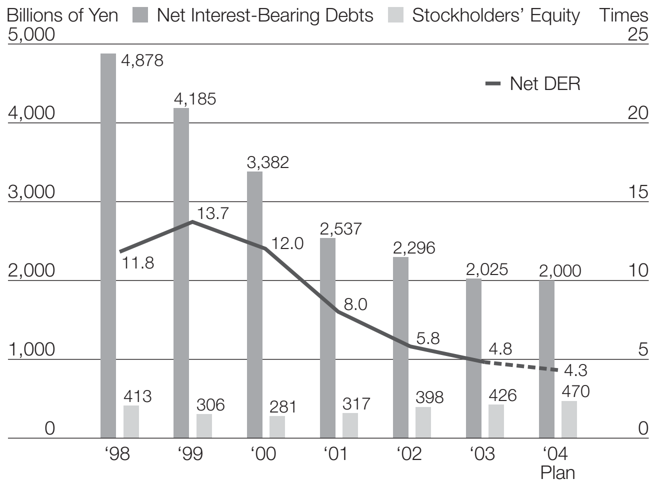
* For fiscal years

Net Income from Subsidiaries and Associated Companies



* For fiscal years

Net Interest-Bearing Debts, Stockholders' Equity and Net DER (Debt-to-Equity Ratio)



* For fiscal years