

Additional Notes to Consolidated Financial Statements
For the Year Ended March 31, 2004 (Based on US GAAP)

June 11, 2004

ITOCHU Corporation

ITOCHU Corporation announced today additional notes to its consolidated financial statements, using accounting principles generally accepted in the United States, for the year ended March 31, 2004.

The consolidated financial statements were originally announced on May 11, 2004.

Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in aggregate result in a normal tax rate of approximately 42%.

In accordance with a change in the tax regulations on March 31, 2003, the normal tax rate decreases to 41% in aggregate with effect for the fiscal year ended March 31, 2005.

Foreign subsidiaries are subject to income taxes of the countries where they operate.

Effective the year ended March 31, 2003, the Company adopted a consolidated taxation.

A reconciliation of the Japanese normal tax rate and the effective tax rate as a percentage of income (loss) before income taxes, minority interests, equity in earnings (losses) and extraordinary items is as follows:

	2004 (%)	2003 (%)
	<u> </u>	<u> </u>
Japanese normal income tax rate	(42.0)	42.0
Expenses not deductible for tax purposes	1.7	2.8
Difference of tax rates for foreign subsidiaries	(2.3)	(3.0)
Tax benefits not recognized on operating losses of subsidiaries	3.2	3.0
Tax benefits on losses of subsidiaries	(5.9)	(11.1)
Tax on dividends	6.6	20.5
Effect on deferred tax assets and deferred tax liabilities from a change in the tax regulations	-	3.8
Deduction for foreign taxes	7.4	5.3
Valuation allowance	(16.8)	11.4
Other	(1.3)	4.5
	<u>(49.4)</u>	<u>79.2</u>

Significant components of deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Yen (millions)	Yen (millions)	U.S. dollars (millions)
	2004	2003	2004
Deferred tax assets :			
Inventories, property and equipment	¥ 134,834	78,215	\$ 1,276
Allowance for doubtful receivables	52,689	63,252	499
Net operating loss carryforwards	11,915	25,392	113
Accrued retirement and severance benefits	5,472	5,366	52
Marketable securities and other investments	40,123	43,676	379
Other	51,724	36,578	489
Total deferred tax assets	296,757	252,479	2,808
Less valuation allowance	(46,725)	(59,962)	(442)
Deferred tax assets-net	250,032	192,517	2,366
Deferred tax liabilities :			
Installment sales	(549)	(853)	(5)
Accrued retirement and severance benefits	(45,127)	(56,198)	(427)
Marketable securities and other investments	(28,486)	(892)	(270)
Other	(23,959)	(23,854)	(227)
Total deferred tax liabilities	(98,121)	(81,797)	(929)
Net deferred tax assets	¥ 151,911	110,720	\$ 1,437

Note: The Japanese yen amounts for the year ended March 31, 2004, have been translated into United States dollar amounts, solely for the convenience of the reader, at the rate of ¥105.69 = U.S.\$1, prevailing on March 31, 2004.