

Additional Notes to Consolidated Financial Statements
For the Year Ended March 31, 2006 (Based on US GAAP)

June 8, 2006
ITOCHU Corporation

ITOCHU Corporation has announced today additional notes to its consolidated financial statements, in accordance with accounting principles generally accepted in the United States, for the year ended March 31, 2006. The consolidated financial statements were originally announced on April 28, 2006.

Income Taxes

- Unaudited -

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate result in a normal tax rate of approximately 41%. Foreign subsidiaries are subject to income taxes of the countries where they operate.

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

A reconciliation between the normal and the effective income tax rate as a percentage of "Income before income taxes, minority interests, equity in earnings of associated companies and cumulative effect of an accounting change" is as follows:

	2006 (%)	2005 (%)
Normal income tax rate	41.0	41.0
Expenses not deductible for tax purposes	1.0	1.3
Difference of tax rates for foreign subsidiaries	(2.5)	(2.3)
Tax effect on dividends	5.1	5.1
Valuation allowance	1.1	8.1
Other	3.6	(1.1)
Effective income tax rate	49.3	52.1

Note: Reclassifications have been made to prior year amounts to conform to the current year's presentation.

Significant components of deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	Yen (millions)	Yen (millions)	U.S. dollars (millions)
	2006	2005	2006
Deferred tax assets :			
Inventories, property and equipment	¥ 129,270	¥ 131,984	\$ 1,101
Allowance for doubtful receivables	26,004	41,455	221
Net operating loss carryforwards	16,802	17,057	143
Accrued retirement and severance benefits	9,318	2,532	79
Marketable securities and investments	60,293	62,562	513
Other	31,104	31,388	265
Total deferred tax assets	272,791	286,978	2,322
Less valuation allowance	(56,640)	(54,839)	(482)
Deferred tax assets-net	216,151	232,139	1,840
Deferred tax liabilities :			
Installment sales	(396)	(483)	(3)
Accrued retirement and severance benefits	(53,261)	(45,043)	(454)
Marketable securities and investments	(67,385)	(29,532)	(574)
Other	(42,654)	(20,355)	(363)
Total deferred tax liabilities	(163,696)	(95,413)	(1,394)
Net deferred tax assets	¥ 52,455	¥ 136,726	\$ 446

Note: The above components are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of 117.47 yen = 1 U.S. dollars, the exchange rate prevailing on March 31, 2006. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.