

ANNUAL FINANCIAL STATEMENTS

For years ended March 31, 2005 and 2004

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Consolidated Financial Results for Fiscal Year 2005 (Year ended March 31, 2005)

[Consolidated financial results have been prepared in conformity with accounting principles generally accepted in the United States of America]

ITOCHU Corporation

Stock Exchange Code No.8001

(URL http://www.itochu.co.jp/main/ir/index_e.html)

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1. Consolidated operating results for fiscal year 2005 (from April 1, 2004 to March 31, 2005)

(1) Consolidated operating results (Summary)

	Total trading transactions		Trading income		Please refer the below (*1)	
	millions of yen	increase/decrease(%)	millions of yen	increase/decrease(%)	millions of yen	increase/decrease(%)
Fiscal year 2005	9,576,039	0.6	157,740	99.1	119,958	-
Fiscal year 2004	9,516,967	(8.9)	79,216	(20.5)	(92,046)	-

*1 : Income (loss) before income taxes, minority interests, equity in earnings of associated companies and extraordinary items

	Net income (loss)		Net income per share (basic)	Net income per share (diluted)	Please refer the below (*2)	Please refer the below (*3)	Please refer the below (*4)
	millions of yen	increase/decrease(%)	yen	yen	%	%	%
Fiscal year 2005	77,792	-	49.16	-	16.7	2.7	1.3
Fiscal year 2004	(31,944)	-	(20.20)	-	(7.5)	(2.1)	(1.0)

*2 : Net income (loss) / Stockholders' equity

*3 : (*1) / Total Assets

*4 : (*1) / Total trading transactions

Note :

- Equity in earnings of associated companies :
(Fiscal year 2005) 31,764 million yen (Fiscal year 2004) 22,859 million yen
- Weighted-average number of common shares outstanding :
(March 31, 2005) 1,582,392,847 shares (March 31, 2004) 1,581,431,830 shares
- Change of accounting policies : No
- "increase/decrease(%)" presents changes from the previous fiscal year.
- "Total trading transactions" and "Trading income" are presented in accordance with Japanese accounting practice.
 - Total trading transactions in the consolidated statements of operations consist of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.
 - Trading income = Gross trading profit + Selling, general and administrative expenses + Provision for doubtful receivables
- Parentheses represent negative figures or decreases.

(2) Consolidated financial position

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity per share
	millions of yen	millions of yen	%	yen
March 31, 2005	4,472,345	510,397	11.4	322.54
March 31, 2004	4,487,282	422,866	9.4	267.25

Note :

Number of common shares outstanding :

(March 31, 2005) 1,582,412,941 shares (March 31, 2004) 1,582,306,839 shares

(3) Consolidated cash flows information

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents
	millions of yen	millions of yen	millions of yen	millions of yen
Fiscal year 2005	126,624	(127,600)	(125,342)	452,934
Fiscal year 2004	184,780	(55,300)	(79,695)	579,565

(4) Number of Consolidated subsidiaries and associated companies

Consolidated subsidiaries : 451 Associated companies : 205

(5) Changes in number of consolidated subsidiaries and associated companies

Consolidated subsidiaries : (increase) 39, (decrease) 40 Associated companies : (increase) 32, (decrease) 20

2. Forecasts of consolidated operating results for fiscal year 2006 (from April 1, 2005 to March 31, 2006)

	Total trading transactions	Net income
	millions of yen	millions of yen
Fiscal year 2006	9,600,000	100,000

Note:

- Forecasted net income per share for Fiscal 2006 : 63.19 yen
- "Total trading transactions" is presented in a manner customarily used in Japan solely for Japanese readers

A cautionary Note on Forecasts

Above forecasts are based on management's assumptions and beliefs based on information currently available and involve risks and uncertainties. Thus, factors that could cause actual results to differ materially from such statements include, without limitation, global economic and market conditions, and currency exchange rate fluctuations. Concerning detailed items of the forecast, please refer page 9 "Outlook for Fiscal 2006".

Financial Highlights

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of Yen (Unless otherwise specified)		Increase (Decrease)%	Millions of U.S. dollars
	2005	2004		(Unless otherwise specified) 2005
For the fiscal year :				
Total trading transactions.....	9,576,039	9,516,967	0.6 %	89,171
Gross trading profit.....	630,761	555,895	13.5	5,874
Gross trading profit ratio (%).....	6.59	5.84		
Net income (loss).....	77,792	(31,944)	-	724
Adjusted profit*.....	188,807	100,676	87.5	1,758
At fiscal year-end :				
Total assets.....	4,472,345	4,487,282	(0.3)	41,646
Stockholders' equity.....	510,397	422,866	20.7	4,753
Net interest-bearing debts*.....	1,891,086	1,977,048	(4.3)	17,610
Per share (Yen and U.S.Dollars):				
Net income (loss).....	49.2	(20.2)	-	0.5
Stockholders' equity.....	322.5	267.3	20.7	3.0
Ratios:				
ROA (%).....	1.7	-		
Ratio of adjusted profit to total assets (%).....	4.2	2.2		
ROE (%).....	16.7	-		
Ratio of stockholders' equity to total assets (%)	11.4	9.4		
Net debt-to-equity ratio (net DER) (Times).....	3.7	4.7		
Interest coverage 1* (Times).....	5.7	2.7		

Note:

- "Total trading transactions" is presented in accordance with Japanese accounting practice.
Total trading transactions in the consolidated statements of income consist of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.
- Net income (loss) per share and stockholders' equity per share are calculated by using the shares that exclude the number of treasury stock from that of common stock issued.

Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Net financial expenses
+ Equity in earnings of associated companies

*Net interest-bearing debts = Interest-bearing debts - (Cash and cash equivalents + time deposits)

*Interest coverage 1

=
$$\frac{\text{Gross trading profit} + \text{Selling, general and administrative expenses}^* + \text{Provision for doubtful receivables} + \text{Interest income} + \text{Dividends received}}{\text{Interest expenses}}$$

*Selling, general and administrative expenses in 2004 full year include the amount of net loss on settlement of substitutional portion of the Employees' Pension Fund of 3.2 billion yen.

Management Policy

Completion of the A&P strategy

ITOCHU Corporation and its group companies have set a course to construct a sound base for a "high jump" for fiscal 2006 onwards, regarding fiscal 2005, the final year of the mid-term management plan "Super A&P-2004" (for two years from April 2003 to March 2005) as the year to complete the A&P strategy. ITOCHU speedily took the following measures during fiscal 2005.

Regarding the Consumer and Retail Related area, ITOCHU promoted alliances with new brands such as HANG TEN and SPALDING to license in Japan in addition to the expansion of existing brand business of Paul Smith, LANVIN, etc., in Textile.

In Foods, ITOCHU strengthened its food-distribution function by making follow-on investment in NIPPON ACCESS INC. and by setting up Dolce Co., Ltd., a wholesale company of confectionary with Nishino Trading Co., Ltd. Overseas, together with FamilyMart Co., Ltd., ITOCHU embarked on a full-fledged operation of convenience stores of FamilyMart in China and also set up a new company for the opening of stores in the U.S.

In Information and Multimedia, Excite Japan Co., Ltd., a core subsidiary in e-business field, listed on the Jasdq Stock Exchange in November last year, will further diversify its services and enlarge brand awareness, to bolster Excite as a core platform of consumer business.

In Natural Resource Development, ITOCHU decided to invest in expansion of iron ore mines in west Australia to meet a large demand increase mainly in China. Also, crude oil developing project in Azerbaijan started the full-scale production in Azeri field.

In financial services, kabu.com Securities Co., Ltd., an online security broker, was listed on the first section of Tokyo Stock Exchange in March this year. In addition, ITOCHU made an equity participation in Orient Corporation aiming at a business expansion in retail field covering financial and non-financial segments.

In Chemicals, Forest Products and General Merchandise, a new A&P segment from fiscal 2005, together with ITOCHU Chemical Frontier Corporation, ITOCHU invested in Sanjiuhonsoubou Medical & Pharmaceutical Co., Ltd., a Japanese subsidiary of Sanjiu Enterprise Group, the largest pharmaceutical company in China. In Automobiles, ITOCHU acquired the preferred shares in Isuzu Motors Ltd., one of the most important customers, to enlarge the scope of business including production and sales in North America and China.

On top of the above, as a means to develop innovative technology into a future profit source, ITOCHU made a capital and business tie-up with Sosei Co., Ltd., a biopharmaceutical company, to utilize alliances with global companies. In addition, ITOCHU set up "AJI New Business Expansion Fund" together with The Small and Medium Size Enterprise Agency to further promote investments in and alliances with small- and medium- sized companies.

Management Policy for the Future

ITOCHU Corporation and its group companies have started a new mid-term management plan, "Frontier-2006, a shift to aggressive business and solid management," (a two-year plan for fiscal 2006 and 2007).

The "Frontier-2006" plan defines these two years as a period to make ITOCHU a highly profitable corporate group constantly achieving more than 100 billion yen in net income. By foreseeing changes, always seeking a "frontier", and pursuing three principles of "challenge, create and commit," ITOCHU will expand earnings and strengthen its management system with the following five measures.

1) ITOCHU will challenge the expansion of earnings. Under the "Frontier-2006" plan, ITOCHU defines core segments/areas within each Division Company to further accelerate the reallocation and upgrades of assets. In addition, by maximizing synergy among ITOCHU Group, ITOCHU plans to further increase earnings in consumer related sector, a strong business domain of ITOCHU and Natural resource development sector where demand increase is expected. In overseas markets, ITOCHU will not only expand business in North America and Asia including China, where ITOCHU can enjoy a lot of business opportunities, but will also strengthen business in emerging countries such as Russia, India and Brazil, regarding them as potential markets for future expansion of business.

2) ITOCHU will create new business. ITOCHU will develop core fields for future profits by creating new value-added products and services in healthcare and living services (healthcare, medical treatment, hobbies and cultural educations, etc), consumer business, and innovative technologies, which are new potential markets generated by changes in population structure accompanied by declining birthrate and rapidly aging of society, diversifying lifestyle, and innovation in technologies.

3) To maintain a "solid management" that support "aggressive business," ITOCHU will keep controlling the amount of interest-bearing debts and enhance risk management on a consolidated basis by continuing the basic policy of further improvement of financial position and reinforcement of risk management.

4) ITOCHU aims at establishing a management system that supports "aggressive business." In addition to setting up a highly transparent corporate governance, ITOCHU will actively pursue CSR (Corporate Social Responsibility) through communications with society including shareholders. Besides, ITOCHU will reinforce internal control in order to strengthen risk management and secure credibility of financial reporting.

5) ITOCHU as a whole group will implement a more flexible human resource strategy to obtain, educate and rotate employees in order to realize ITOCHU's growth strategy.

By undertaking the above-mentioned efforts, ITOCHU will not only increase the value of ITOCHU group to reward its shareholders, but will also contribute to regional and global societies including active approaches to global environmental issues.

Dividends policy

ITOCHU's basic policy regarding dividend payments is a consistent and stable distribution of returns to the stockholders, while increasing stockholders' equity, and maintaining and strengthening its competitive power by retaining earnings.

Basic policy concerning corporate governance

It is our basic policy, in conformity with the "ITOCHU Corporation Code of Conduct", to establish a management system with highly transparent management system (sophisticated corporate governance) by enhancing transparency in its decision-making process, corporate information disclosure and management accountability, and risk management including compliance with laws and regulations, and establishment of business ethics through the strict application of rewards and punishments.

"ITOCHU Corporation Code of Conduct"

- 1) **Observance of Laws and Regulations:** ITOCHU respects the laws and regulations of the countries where it does business and international rules, and will pursue the highest standards of ethical behavior in its dealings with customers, suppliers, employees, shareholders, and other stakeholders.
- 2) **Supply of Quality Products and Services:** ITOCHU is concerned with product safety and the conservation of the environment, energy and natural resources, and maintains a keen interest in the supply of safe, quality products. ITOCHU will carefully consider the social utility of products and services it supplies.
- 3) **Management with a Long Term Vision:** ITOCHU will not pursue short-term interests at the expense of its reputation for integrity, and will conduct its business with a long-term vision.
- 4) **Fair Dealing:** ITOCHU recognizes that free and fair competition is a fundamental principle of the market economy and will engage in free and fair competition. In addition, ITOCHU will maintain a fair, sound, and open relationship with government agencies and political bodies.
- 5) **Disclosure:** ITOCHU values communication with its shareholders, other stakeholders and the public at large, and will fulfill its duty to make full, fair and timely disclosure of corporate information.
- 6) **The Environment:** ITOCHU will remain vigilant in addressing today's critical environmental issues.
- 7) **Good Corporate Citizen:** ITOCHU will seek harmony between the pursuit of profit and contribution to society, and will actively fulfill its role as a good corporate citizen.
- 8) **Working Conditions:** ITOCHU will promote good working conditions for its employees, respect the dignity and personality of employees, and foster an open culture where ideas can be freely expressed and creativity can be fully developed.
- 9) **Policy Against Antisocial Organizations:** ITOCHU will stand firmly against forces or organizations that threaten the order and security of the public.
- 10) **Globalization:** ITOCHU, as a globally integrated corporation, will respect the cultures and customs of all countries in which it operates, and conduct its overseas activities in a way that contributes to development in all such locales.
- 11) **Compliance:** ITOCHU intends that all directors, officers, and employees of ITOCHU understand and comply with this Code and will develop a system to enhance the understanding, implementation and effectiveness of this Code.
- 12) **Commitment by Executives:** The executives of ITOCHU will take the lead in implementing and enforcing this Code, and will vigorously address violations through investigations. Fair and appropriate disclosure shall be made of any such incidents, and appropriate discrepancy measures, based on principles of accountability, including action directed toward themselves, shall be taken by ITOCHU's executives.

State of implementation of measures concerning corporate governance

1) State of ITOCHU's Management System

- ITOCHU Corporation adopts corporate auditors system.
- The Board of Directors consisting of 12 Directors, which is a reasonable size for substantial discussion, makes managerial decisions and supervises business operations.
- The Board of Corporate Auditors consists of five corporate auditors, including three standing auditors and two outside corporate auditors, and strictly monitors business operations of directors and executive officers. Four full-time staff members support the corporate auditors.
- ITOCHU has introduced executive officer position and currently there are 32 executive officers who devote themselves to their specific operations.
- ITOCHU has established HMC (Headquarters Management Committee), as a support body to the President, to discuss general management policies and important issues relating to corporate management.
- ITOCHU has established an Advisory Board composed of outside experts from various fields to obtain useful opinions on management from an objective point of view.

2) State of internal control system

- By implementing internal corporate rules to define inter-office regulations and responsibilities, ITOCHU has established a system to secure adequate business executions and accurate financial reports, for example, putting suitable checking and monitoring functions into business process.
ITOCHU has also established the Disclosure Committee at the beginning of the fiscal 2006 to ensure internal control systems and to secure the accuracy of financial reports.
- Regarding the compliance, ITOCHU has set up Chief Compliance Officer, CSR & Compliance Committee, and CSR & Compliance Division to integrate and further improve the overall ITOCHU Group's compliance functions. In order to ensure that all employees understand "ITOCHU Corporation Code of Conducts", ITOCHU educates and trains employees by implementing periodic monitoring and review, improving the compliance program, setting up a hotline to report violations of laws, setting up the Consultation Desk to provide consultation on all aspects of compliance, and obtain confirmations to observe the "ITOCHU Corporate Code of Conduct" signed by all ITOCHU employees and Corporate Directors and Officers.

3) State of risk management system

- ITOCHU has enhanced its risk management system and risk management methods to monitor and manage various risks such as market risks, credit risks and investment risks.
- ITOCHU has reinforced the concept of autonomous-management in which each Division Company manages the risks associated with individual projects and has continuously been developing sophisticated risk management methods.
ITOCHU has established the ALM (Asset Liability Management) Committee which plays a central role in managing the balance sheets of the Company, in proposing improvements, in analyzing the risk management across the Company, and in proposing various risk management methods and improvements.
- Specifically, it sets internal covenants for major balance sheet items and manages risk exposure for each individual product and service, segmenting products and services in detail to set exposure limits, criteria to undertake, and standards for return for important products and services.
- Furthermore, the Company has introduced RCM (Risk Capital Management), a risk management method based on RAROC (Risk-adjusted Return on Capital) to thoroughly manage its business portfolio through the utilization of two management benchmarks, Risk Assets and the Risk Return Index.

Risk Assets = Maximum potential loss from possession of assets
= \sum (Asset book value x Risk weight for each asset)

Risk Return Index = Net income / Risk assets

4) State of internal audit, corporate auditors audit and independent auditors audit

- ITOCHU retains Audit Division under the direct supervision of the President. The Audit Division newly increase its staff members from 14 to 21 for fiscal 2005.

The Audit Division audits ITOCHU and domestic and international subsidiaries from the following points of view, i) if management activities are reasonably and efficiently conducted, ii) if internal rules and procedures are properly and effectively functioned, iii) if laws and regulations are duly respected, iv) if accounting registration and other reports are appropriately, accurately, and promptly produced.

Process of improvement in problems regarding the results of audits are duly monitored by the Audit Division. In addition, the Division cooperates with other internal audit divisions of ITOCHU Group companies.

- The corporate auditors regularly attend the Board of Directors meeting and other important meetings to monitor executive decisions in accordance with audit plans and assignments adopted by the Board of Corporate Auditors.

The corporate auditors peruse documents of executive decisions, review management activities and properties at the headquarter office and major branches, and obtain necessary business reports from subsidiaries to strictly monitor the directors and executives.

In addition, the Board of Corporate Auditors established GAC (Group Audit Committee) which is comprised of corporate auditors of ITOCHU and major subsidiaries to cooperate each other.

- The Audit Division and the Corporate Auditors discuss internal audit plans at the beginning of each fiscal year, holding periodic meetings to discuss the results of audits and exchange opinions each other.
- The Audit Division also holds periodic meetings with independent external auditors to exchange information including the results of audits.
- The Corporate Auditors discuss audit plans with independent external auditors, informed of the process and the results of audits, and audit financial statements.
- ITOCHU has concluded a contract with Deloitte Touche Tohmatsu for an audit based on the Commercial Code and on the Securities and Exchange Law.

Deloitte Touche Tohmatsu audits ITOCHU's financial statements from an independent point of view.

In response to the results of audit, ITOCHU exchanges opinions with Deloitte Touche Tohmatsu regarding subjects including improvement of the internal control system etc. and is advised for improvement.

ITochu provides Deloitte Touche Tohmatsu with necessary information for prompt and appropriate audit.

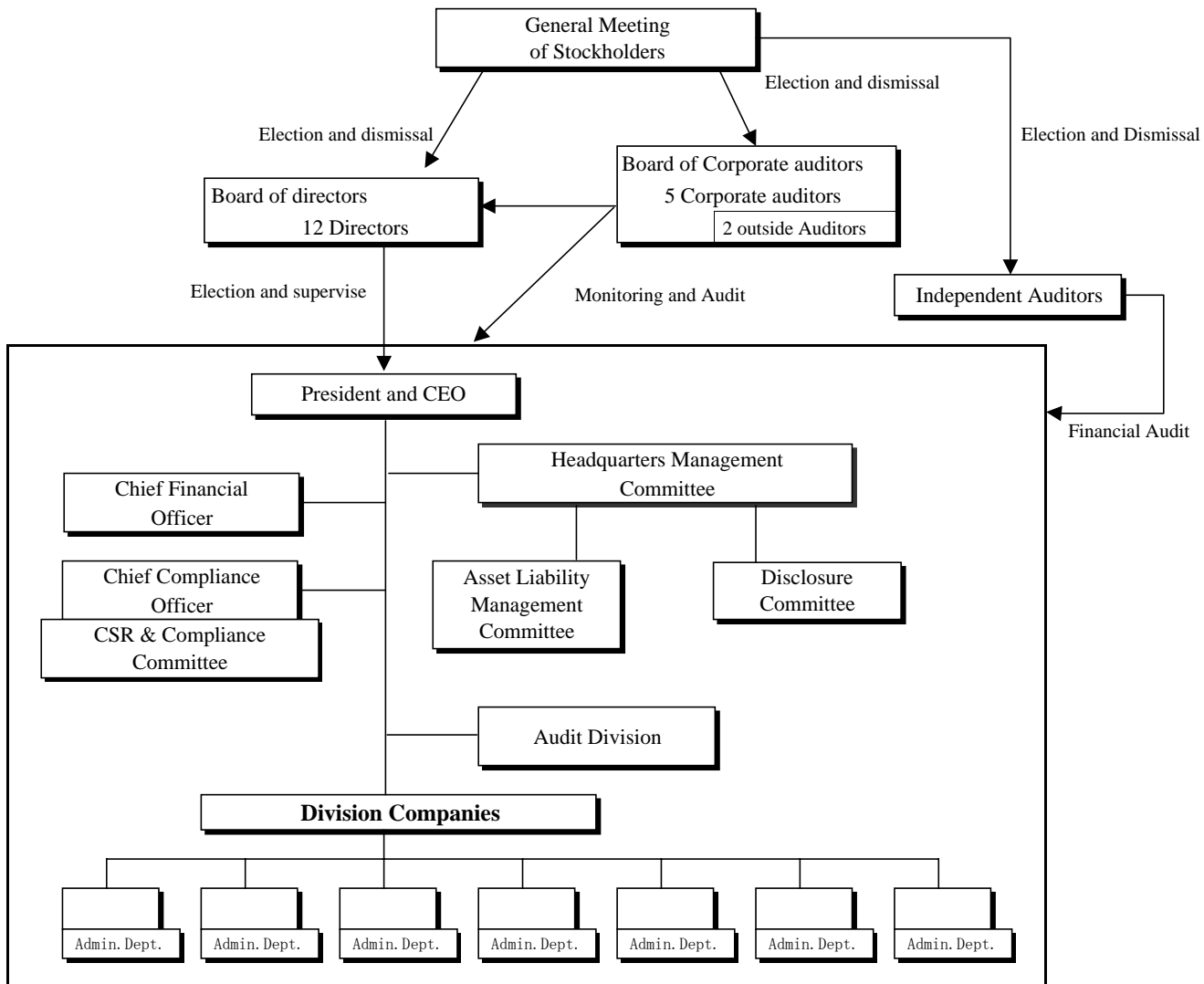
Independent auditors for ITOCHU's audit are as follows,

Audit Partners	Audit firm	Years of service given to ITOCHU	Number of staff members
Mr. Hiroshi Nagai	Deloitte Touche Tohmatsu	5 years	16 CPAs
Mr. Kenjiro Ueba	Deloitte Touche Tohmatsu	2 years	11 Junior CPAs
Mr. Hiroshi Kawamura	Deloitte Touche Tohmatsu	7 years	4 assistants
Mr. Masahiro Ishizuka	Deloitte Touche Tohmatsu	2 years	

5) Additional information

- Remuneration for audit to the independent auditors, "Deloitte Touche Tohmatsu", is as follows.
 - i) Total payment amount of ITOCHU and its subsidiaries to the audit firm (Deloitte Touche Tohmatsu) for the fiscal 2005 514 million yen
 - ii) Total payment amount (included in i) of ITOCHU and its subsidiaries to the audit firm (Deloitte Touche Tohmatsu) for the activity that is defined under the Japanese Certified Public Accountant law (Chapter 2 - 1) for the fiscal 2005. 482 million yen
 - iii) Total payment amount (included in ii) of ITOCHU to the audit firm (Deloitte Touche Tohmatsu) for the fiscal 2005. 107 million yen
- (*) Since the audit contract concluded by ITOCHU and Deloitte Touche Tohmatsu does not distinguish the amount for audit on the Commercial Code basis from the amount on the Securities and Exchange Law basis, the amount in iii) above includes both.
- In order to make clear the relation between achievement of Directors and payment to Directors, Directors' remuneration system is revised including the repeal of the severance system.

The following is the chart that shows business operation, system of monitoring management, internal control systems, and risk management.



Outlook for Fiscal 2006

For fiscal 2006, the Japanese economy is expected to increase the pace of recovery with upward momentum in consumer spending backed by a bottomed-out salary-decline trend and gradual recovery of employment, in addition to the expansion of capital expenditure supported by pickup of exports of IT related equipment and high-leveled corporate profits.

Regarding overseas economy, there are several issues needed to be paid attention: increased anxiety about imbalance of U.S. economy, concerns on overheated capital expenditure in China, and possibility of continuous surge of primal commodity prices including crude oil.

Under these circumstances, ITOCHU is expecting consolidated total trading transactions of 9.6 trillion yen for the fiscal year ending March 2006, with a consolidated net income of 100 billion yen.

These forecasts are forward looking statements that are based on management's assumptions and beliefs based on information currently available and involve risks and uncertainties. Thus, factors that could cause actual results to differ materially from such statements include, without limitation, global economic and market conditions, and currency exchange rate fluctuations.

Fiscal 2006 consolidated forecasts (April 2005 – March 2006)

	Forecasts	Increase from the previous fiscal year
Total trading transactions	9.6 trillion yen	0.3%
Net income	100 billion yen	28.5%

(Note)	Fiscal 2006 Forecasts	Fiscal 2005 Results
Exchange rate (Yen/US\$)	100.00	107.94
Crude oil (Brent) price (US\$/BBL)	35.00	38.00

Distribution of the current fiscal year's profit

ITOCHU plans to make a seven-yen dividend payment per share for fiscal year ended March 2005. For the fiscal year ending March 2006, ITOCHU intends to make an eight-yen (four yen for each of the interim and the year-end) dividend payment per share

Fiscal 2006 forecasts, ending March 31, 2006

Consolidated	Forecasts	Results
	2006 Full year	2005 Full year
Total trading transactions	9.6 trillion yen	9.6 trillion yen
Gross trading profit	660.0 billion yen	630.8 billion yen
Selling, general and administrative expenses	(480.0)	(466.8)
Provision for doubtful accounts	(10.0)	(6.2)
Net interest expenses	(27.0)	(21.0)
Dividends received	12.0	14.2
Other-net	0.0	(30.9)
Income before income taxes, minority interests and equity in earnings	155.0	120.0
Income taxes	(82.0)	(62.5)
Income before minority interests and equity in earnings	73.0	57.4
Minority interests	(13.0)	(11.4)
Equity in earnings of associated companies	40.0	31.8
Net income	100.0	77.8

Total assets	4,700.0 billion yen	4,472.3 billion yen
Gross interest-bearing debts	2,400.0	2,346.7
Net interest-bearing debts	under 2,000.0	1,891.1
Total stockholders' equity	600.0	510.4

Summary of Operations

General Situations

During fiscal 2005, ended March 31, 2005, the Japanese economy has leveled off with a slower recovery, due to sluggish exports, weak capital expenditure by non-manufacturing industry, continued reluctance of companies to add more employees, and low growth of consumer spending. In the meantime, Nikkei average has been hovering at around 11,000 yen level since the beginning of fiscal 2005 affected by greater uncertainties of economic recovery.

Regarding foreign exchange, yen was weak against U.S. dollars during the first half due to the rising of interest rates of the U.S., which was followed by a slightly-stronger-yen situation against U.S. dollars at around 105 yen/U.S. dollars during the last half with concerns about an increase in current account deficits of the U.S.

On the other hand, overseas economy as a whole has continuously shown a steady recovery. Specifically the U.S. economy has got into a positive growth cycle with an increase in capital expenditure and in employment bolstered by profits increase of U.S. companies Chinese economy has also kept its high growth backed by boosted infrastructure-related investments and exports. Under these conditions, major primary commodity prices have soared with a rapid demand increase in China.

Operating Results

In fiscal 2005, ended March 31, 2005, **Total trading transactions** increased by 0.6% or 59.1 billion yen to 9,576.0 billion yen (89,171 million U.S. dollars) from the last fiscal year, bottoming out from a downward trend since fiscal 1999. Total trading transactions increased in Energy, Metals & Minerals segment due to rising prices of coal, iron ore and crude oil, and an increase in transaction volume; and in Chemicals, Forest Products & General Merchandise segment due to high market prices of chemicals and to a steady growth in building materials-related transactions in North America, although low-efficient transactions were reduced and effect of the stronger yen also pushed total trading transactions down on a year-to-year basis.

Revenue based on U.S. GAAP increased by 14.5% or 252.5 billion yen to 1,991.2 billion yen (18,542 million U.S. dollars) because of an increase in resource-related business due to high market prices.

Gross trading profit increased by 13.5% or 74.9 billion yen to 630.8 billion yen (5,874 million U.S. dollars), bottoming out from a downward trend since fiscal 2000. Gross trading profit increased in Textile segment primarily due to an acquisition of a new business; in Machinery segment due to an increase in shipping business, sales of motor vehicles in Europe, and good performance in a construction machinery business in North America; in Energy, Metals & Minerals segment due to rising prices of coal, iron ore and crude oil and an increase in transaction volume; in Chemicals, Forest Products & General Merchandise segment due to high market prices of chemical materials and products, and the steady growth in building materials business in North America; and also in Finance, Realty, Insurance & Logistics Services segment due to an increase in condominium sales, in addition to a rebound from loss on disposal and devaluation of real estate inventories in the last fiscal year.

Selling, general and administrative expenses were slightly up 0.2% or 0.8 billion yen to 466.8 billion yen (4,347 million U.S. dollars), with an increase accompanied by the expansion of business, despite of a decrease in expenses for pension plans.

Net interest expenses improved by 15.0% or 3.7 billion yen in year-to-year comparison, following the continuous reduction of interest-bearing debts. With an increase in dividends received from the LNG-related investments,

Net financial expenses improved by 51.6% or 7.3 billion yen to 6.9 billion yen (65 million U.S. dollars) compared with the last fiscal year. Concerning the other profits and losses, **Loss on disposal of investments and marketable securities, net of write-down** deteriorated by 11.8 billion yen, due to loss of 45.1 billion yen on goodwill impairment relating to shares of FamilyMart, in spite of capital gains from IPOs of subsidiaries and associated companies increased. Meanwhile, **Loss on property and equipment-net** improved by 123.5 billion yen due to impairment losses for fixed assets in the last fiscal year. **Other-net** improved by 14.4 billion yen due to an improvement in foreign exchange gains and losses.

As a result, **Income (loss) before income taxes, minority interests, equity in earnings of associated companies and extraordinary items** improved by 212.0 billion yen to 120.0 billion yen (1,117 million U.S. dollars) from the last fiscal year.

Equity in earnings of associated companies increased by 39.0% or 8.9 billion yen to 31.8 billion yen (296 million U.S. dollars) due to good performance of a steel products-related associated company, etc.

Net income for this fiscal year came to 77.8 billion yen (724 million U.S. dollars), improved by 109.7 billion yen from the last fiscal year.

Financial Conditions

Total assets as of March 31, 2005, decreased by 0.3% or 14.9 billion yen from March 31, 2004, to 4,472.3 billion yen (41,646 million U.S. dollars) due to a continuous collection of trade receivables, and a decrease in cash and cash equivalents appropriated for repayments of interest-bearing debts, despite rising prices of marketable commodities represented by crude oil, and new or additional investments in Orient Corporation and Isuzu Motors Ltd.

Stockholders' equity increased by 20.7% or 87.5 billion yen from March 31, 2004, to 510.4 billion yen (4,753 million U.S. dollars) due to an increase in retained earnings realized by net income for this fiscal year, in addition to an improvement in foreign currency translation adjustments and unrealized holding gains on securities. As a result, stockholders' equity ratio improved by 2.0 point from March 31, 2004, to 11.4%.

Net interest-bearing debts (interest-bearing debts after deducting cash, cash equivalents and time deposit) decreased by 4.3% or 86.0 billion yen from March 31, 2004, to 1,891.1 billion yen (17,610 million U.S. dollars). As a result, **net DER** (Debt-to-Equity Ratio) improved by 1.0 point from March 31, 2004, to 3.7 times.

Cash flows from **operating activities** recorded net cash-inflow of 126.6 billion yen (1,179 million U.S. dollars), which was mainly generated by good performance of overseas resource-related operations.

Net cash used in **investing activities** was 127.6 billion yen (1,188 million U.S. dollars) as a result of new or additional investments in Orient Corporation and Isuzu Motors Ltd. A further reduction of interest-bearing debts led to 125.3 billion yen (1,167 million U.S. dollars) of net cash-outflow in **financing activities**.

As a result, the current balance of **cash and cash equivalents** as of March 31, 2005 decreased by 126.6 billion yen to 452.9 billion yen (4,218 million U.S. dollars) from March 31, 2004.

The trend of consolidated cash flow indices is as follows;

(Years ended March 31)

	2001	2002	2003	2004	2005
Ratio of stockholders' equity to total assets (%)	6.1	8.4	9.5	9.4	11.4
Ratio of market capitalization to total assets (%)	12.3	12.9	10.2	16.5	19.1
Years of debts redemption (years)	19.2	12.9	15.2	13.9	18.5
Interest coverage ratio 2 (times)	1.3	2.9	3.4	4.4	4.1

Ratio of stockholders' equity to total assets (%) = Stockholders' equity / Total assets

Ratio of market capitalization to total assets (%) = Market capitalization / Total assets

Years of debts redemption (years) = Interest-bearing debts / Cash flows from operating activities

Interest coverage ratio 2 (times) = Cash flows from operating activities / Interest paid

(*) Cash flows from operating activities are used. Interest-bearing debts are all the liabilities on the consolidated balance sheets that oblige to pay interest expense.

Note: The consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of 107.39 yen = 1 U.S. dollars, the exchange rate prevailing on March 31, 2005.

Performance of Group Companies (1)

Years ended March 31, 2005 and 2004

Components of Consolidated Net Income

(Unit: billion yen)	2005	2004	Increase (Decrease)	Impairment losses (*1)
Parent company	33.0	(100.7)	133.7	[112.1]
Overseas trading subsidiaries	13.2	5.0	8.1	
Group companies excluding overseas trading subsidiaries	47.9	(28.5)	76.4	[78.4]
Subtotal	94.1	(124.2)	218.2	[190.4]
Consolidation adjustments	(16.3)	92.2	(108.5)	[(112.4)]
Consolidated net income	77.8	(31.9)	109.7	[78.0]

(*1) Increase on "Impairment losses" presents the special losses recognized in accordance with "Early application of impairment accounting for fixed assets the change of forecast for fiscal year ending March 2004 and cash dividends" which was announced by ITOCHU Corporation on April 2, 2004.

Number of Group Companies

	March 31, 2005			March 31, 2004			Increase	Decrease	Changes within Group	Net changes	
	Domestic	Overseas	Total	Domestic	Overseas	Total					
Subsidiaries	222	229	451	223	229	452	+37	(39)	+2	(1)	(1)
Associated companies	94	111	205	91	102	193	+31	(18)	(2)	+1	+12
Total	316	340	656	314	331	645	+68	(57)			+11

Number of Direct Controlled Companies (*2)

	March 31, 2005			March 31, 2004			Increase	Decrease	Changes within Group	Net changes	
	Domestic	Overseas	Total	Domestic	Overseas	Total					
Subsidiaries	144	141	285	143	145	288	+19	(22)	+1	(1)	(3)
Associated companies	63	83	146	61	74	135	+22	(11)	(1)	+1	+11
Total	207	224	431	204	219	423	+41	(33)			+8

(*2) Direct controlled companies are monitored by the necessity of ITOCHU Corporation to directly implement its group management strategy, that exclude unsubstantial paper companies, indirect investing affiliates and overseas branch offices, from ITOCHU subsidiaries and associated companies.

Major New Group Companies

Operating Segments	Name	(Shares)	(Categories)
Textile	CONVERSE FOOTWEAR CO., LTD	(80.00%)	Sale of CONVERSE shoes
Textile	Chrome Hearts Japan, Ltd.	(50.00%)	Sale of accessories
Aerospace, Electronics & Multimedia	ISHIMORI ENTERTAINMENT INC.	(49.00%)	Character business
Chemical	SANJIUHONSOUBOU MEDICAL&PHARMACEUTICAL CO.,LTD.	(23.12%)	Sale of medicines and health food products
Finance	FRIT CAPITAL Inc.	(65.00%)	Management of venture capital fund
Logistics	TING TONG (CAYMAN ISLANDS) HOLDING CORPORATION	(50.00%)	Domestic logistics services in China
Real Estate	Japan Residential Management Co., Ltd.	(100.00%)	Real estate investment advisor

Performance of Group Companies (2)

Years ended March 31, 2005 and 2004

Profits / Losses of Group Companies Reporting Profits / Losses

(Unit: billion yen)

	2005			2004			Increase (Decrease)		
	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Group companies excluding overseas trading subsidiaries	86.7	(38.8)	47.9	65.4	(94.0)	(28.5)	21.2	55.2	76.4
Overseas trading subsidiaries	14.7	(1.5)	13.2	5.3	(0.3)	5.0	9.3	(1.2)	8.1
Total	101.3	(40.3)	61.1	70.8	(94.3)	(23.5)	30.6	54.0	84.6

Number / Share of Group Companies Reporting Profits

		2005			2004			Increase (Decrease)		
		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Subsidiaries	Domestic	182	40	222	159	64	223	23	(24)	(1)
	Overseas	204	25	229	197	32	229	7	(7)	0
	Total	386	65	451	356	96	452	30	(31)	(1)
	Share (%)	85.6%	14.4%	100.0%	78.8%	21.2%	100.0%			
Associated companies	Domestic	73	21	94	73	18	91	0	3	3
	Overseas	86	25	111	73	29	102	13	(4)	9
	Total	159	46	205	146	47	193	13	(1)	12
	Share (%)	77.6%	22.4%	100.0%	75.6%	24.4%	100.0%			
Total	Domestic	255	61	316	232	82	314	23	(21)	2
	Overseas	290	50	340	270	61	331	20	(11)	9
	Total	545	111	656	502	143	645	43	(32)	11
	Share (%)	83.1%	16.9%	100.0%	77.8%	22.2%	100.0%			

Profits / Losses of Group Companies Reporting Profits/Losses

(Unit: billion yen)

		2005			2004			Increase (Decrease)		
		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Subsidiaries	Domestic	27.0	(28.2)	(1.3)	26.7	(80.8)	(54.1)	0.2	52.6	52.8
	Overseas (*)	36.0	(5.4)	30.6	13.8	(8.2)	5.6	22.2	2.8	25.0
	Total	63.0	(33.7)	29.3	40.5	(89.0)	(48.5)	22.5	55.4	77.8
Associated companies	Domestic	27.6	(3.7)	23.9	21.8	(2.6)	19.2	5.8	(1.1)	4.7
	Overseas	10.8	(2.9)	7.9	8.5	(2.7)	5.8	2.3	(0.2)	2.1
	Total	38.4	(6.6)	31.8	30.3	(5.3)	25.1	8.1	(1.4)	6.7
Total	Domestic	54.5	(31.9)	22.6	48.5	(83.4)	(34.9)	6.0	51.5	57.5
	Overseas (*)	46.8	(8.3)	38.5	22.3	(10.9)	11.4	24.5	2.5	27.1
	Total	101.3	(40.3)	61.1	70.8	(94.3)	(23.5)	30.6	54.0	84.6

(*)Results of "Overseas trading subsidiaries" which are included in the above "Overseas" are as follows;

	2005			2004			Increase (Decrease)		
	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Overseas trading subsidiaries	14.7	(1.5)	13.2	5.3	(0.3)	5.0	9.3	(1.2)	8.1

Performance of Group Companies (3)

Years ended March 31, 2005 and 2004

<Reference>

Profits / Losses of Group Companies Reporting Profits / Losses

(Excluding the effect of impairment loss on shares of FamilyMart Co., Ltd in 2005(*1) and losses on fixed assets in 2004(*2))

(Unit: billion yen)

	2005			2004			Increase (Decrease)		
	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Group companies excluding overseas trading subsidiaries	90.4	(15.9)	74.5	69.4	(19.6)	49.8	21.0	3.7	24.7
Overseas trading subsidiaries	14.7	(1.5)	13.2	5.3	(0.3)	5.0	9.3	(1.2)	8.1
Total	105.1	(17.4)	87.7	74.8	(19.9)	54.9	30.4	2.4	32.8

Number / Share of Group Companies Reporting Profits

(Excluding the effect of impairment loss on shares of FamilyMart Co., Ltd in 2005(*1) and losses on fixed assets in 2004(*2))

		2005			2004			Increase (Decrease)		
		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Subsidiaries	Domestic	183	39	222	188	35	223	(5)	4	(1)
	Overseas	204	25	229	197	32	229	7	(7)	0
	Total	387	64	451	385	67	452	2	(3)	(1)
	Share (%)	85.8%	14.2%	100.0%	85.2%	14.8%	100.0%			
Associated companies	Domestic	73	21	94	75	16	91	(2)	5	3
	Overseas	86	25	111	74	28	102	12	(3)	9
	Total	159	46	205	149	44	193	10	2	12
	Share (%)	77.6%	22.4%	100.0%	77.2%	22.8%	100.0%			
Total	Domestic	256	60	316	263	51	314	(7)	9	2
	Overseas	290	50	340	271	60	331	19	(10)	9
	Total	546	110	656	534	111	645	12	(1)	11
	Share (%)	83.2%	16.8%	100.0%	82.8%	17.2%	100.0%			

Profits / Losses of Group Companies Reporting Profits/Losses

(Excluding the effect of impairment loss on shares of FamilyMart Co., Ltd in 2005(*1) and losses on fixed assets in 2004(*2))

(Unit: billion yen)

		2005			2004			Increase (Decrease)		
		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Subsidiaries	Domestic	30.5	(5.2)	25.4	30.6	(6.3)	24.2	(0.0)	1.1	1.1
	Overseas (*)	36.0	(5.4)	30.6	13.8	(8.2)	5.6	22.2	2.8	25.0
	Total	66.6	(10.6)	55.9	44.3	(14.5)	29.8	22.2	3.9	26.1
Associated companies	Domestic	27.8	(3.9)	23.9	21.8	(2.6)	19.2	5.9	(1.3)	4.6
	Overseas	10.8	(2.9)	7.9	8.6	(2.7)	5.8	2.2	(0.2)	2.1
	Total	38.6	(6.8)	31.8	30.4	(5.3)	25.1	8.1	(1.5)	6.7
Total	Domestic	58.3	(9.1)	49.2	52.4	(8.9)	43.5	5.9	(0.2)	5.8
	Overseas (*)	46.8	(8.3)	38.5	22.3	(10.9)	11.4	24.5	2.6	27.1
	Total	105.1	(17.4)	87.7	74.8	(19.9)	54.9	30.4	2.4	32.8

(*)Results of "Overseas trading subsidiaries" which are included in the above "Overseas" are as follows;

	2005			2004			Increase (Decrease)		
	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Overseas trading subsidiaries	14.7	(1.5)	13.2	5.3	(0.3)	5.0	9.3	(1.2)	8.1

(*1) "Impairment loss on shares of FamilyMart" presents the loss on goodwill impairment relating to shares of FamilyMart Co., Ltd, which was announced by ITOCHU Corporation on Apr. 5, 2005.

(*2) "Impairment losses on fixed assets" presents the special losses recognized in accordance with "Early application of impairment accounting for fixed assets, the change of forecasts for fiscal year ending March 2004 and cash dividends" which was announced by ITOCHU Corporation on Apr. 2, 2004

Performance of Group Companies (4)

Years ended March 31, 2005 and 2004

Major Group Companies

(Unit: billion yen)

	Name	Shares	Method of consolidation	Net income (*1)		Categories	Fiscal 2006 Forecasts
				2005	2004		
Textile	BALLY JAPAN LTD.	80.00%	Consolidation	(0.2)	0.1	Sale of BALLY brand products	0.1
	Prominent Apparel Ltd. (Hong Kong)	100.00%	Consolidation	0.2	0.4	Production control and wholesale of textile and apparel	0.2
	Leilian Co., Ltd.	25.88%	Equity	0.2	0.2	Retail of ladies' apparel	0.1
Machinery	ITOCHU Sanki Corporation	100.00%	Consolidation	0.3	0.3	Wholesale of equipment and system of industrial machinery	0.3
	Century Medical, Inc.	100.00%	Consolidation	0.3	0.2	Wholesale of medical equipment and materials	0.3
	MCL Group Ltd. (U.K.)	100.00%	Consolidation	0.2	0.5	Retail of motor vehicles/Warehouse/Retail finance	0.4
	ITOCHU Automobile America, Inc. (U.S.A.)	100.00%	Consolidation	1.1	0.6	Retail of motor vehicles/Warehouse/trading	1.1
	Century Leasing System, Inc.	20.13%	Equity	(*2)	1.0	Lease of machinery and equipment	(*3)
Aerospace, Electronics & Multimedia	ITOCHU TECHNO-SCIENCE Corporation	48.44%	Consolidation	5.1	3.5	Consultation, System integration, Services of computer networks and equipment	(*3)
	CRC Solutions Corp.	40.36%	Consolidation	(*2)	0.2	Software development, outsourcing and consulting services	(*3)
	SPACE SHOWER NETWORKS INC.	51.32%	Consolidation	0.1	0.1	Music channel on cable/satellite television	(*3)
	Excite Japan Co., Ltd	67.90%	Consolidation	(*2)	0.2	Internet search engine and information provider	(*3)
	JAMCO Corporation	20.60%	Equity	(*2)	0.1	Maintenance of aircraft and manufacture of aircraft interior	(*3)
	Suncall Corporation	21.00%	Equity	(*2)	0.4	Manufacture and wholesale of precision measuring equipment	(*3)
Energy, Metals & Minerals	ITOCHU Non-Ferrous Materials Co., Ltd.	100.00%	Consolidation	0.8	0.5	Wholesale of non-ferrous metals and products	0.7
	ITOCHU Petroleum Japan Ltd.	100.00%	Consolidation	0.4	1.5	Charter and operation of oil tankers, sales of bunker fuel oil	1.0
	ITOCHU Minerals & Energy of Australia Pty Ltd (*7) (Australia)	100.00%	Consolidation	13.9	5.3	Investment for exploitation of minerals and energy resources	19.8
	Marubeni-Itchu Steel Inc.	50.00%	Equity	9.7	3.1	Wholesale of steel products	9.3
	ITOCHU ENEX CO., LTD.	39.93%	Equity	(*2)	1.5	Wholesale of petroleum products	(*3)
Chemicals, Forest Products & General Merchandise	ITOCHU Kenzai Corp.	85.84%	Consolidation	1.5	1.0	Wholesale of wood products and building materials	1.6
	ITOCHU Pulp & Paper Corp.	100.00%	Consolidation	0.5	0.6	Wholesale of paper, paperboards, and various paper materials	0.9
	ITOCHU CHEMICAL FRONTIER Corporation	99.90%	Consolidation	1.0	1.2	Wholesale of fine chemicals and related raw materials	1.1
	ITOCHU PLASTICS INC.	100.00%	Consolidation	1.8	1.7	Development and wholesale of plastics and related products	2.0
	DAIKEN CORPORATION	19.42%	Equity	(*2)	0.3	Manufacture of building materials and construction parts	(*3)
	TAKIRON Co., Ltd.	27.11%	Equity	(*2)	0.4	Manufacture of flat and corrugated plastic sheets	(*3)
	C.I. KASEI Co., Ltd.	36.67%	Equity	(*2)	(0.6)	Manufacture of PVC pipe and film and related materials	(*3)
Food	ITOCHU SHOKUHN Co., Ltd.	44.82%	Consolidation	(*2)	1.2	Wholesale and distribution of foods	(*3)
	Nishino Trading Co., Ltd.	75.73%	Consolidation	0.7	0.9	Wholesale of foods and sundries	1.2
	NIPPON ACCESS INC.	32.27%	Equity	(*2)	0.1	Wholesale and distribution of foods	(*3)
	Japan Foods Co., Ltd.	20.73%	Equity	0.2	0.1	Production of soft drinks	(*3)
	Fuji Oil Co., Ltd.	19.37%	Equity	(*2)	0.6	Integrated manufacturer of cooking oil and soybean protein	(*3)
	FamilyMart Co., Ltd.	30.59%	Equity	4.0	4.2	Operation of a convenience store chain, using the name "FamilyMart" and a franchise system	(*3)
	Prima Meat Packers, Ltd.	39.69%	Equity	(*2)	1.4	Manufacture/sale of meat and processed meat products	(*3)
Finance, Realty, Insurance & Logistics Services	ITOCHU Finance Corporation (*4)	88.14%	Consolidation	2.7	4.1	Loan and other finance-related business	1.7
	CENTURY 21 REAL ESTATE OF JAPAN LTD.	55.28%	Consolidation	0.2	0.2	Headquarters of real estate franchise system	(*3)
	i-LOGISTICS CORP.	61.78%	Consolidation	(*2)	0.2	Comprehensive logistics services	(*3)
	kabu.com Securities Co., Ltd. (*4)	23.93%	Equity	0.9	0.7	Online stock brokerage	(*3)
Overseas	ITOCHU International Inc. (*6) (U.S.A.)	100.00%	Consolidation	8.6	1.4	U.S. subsidiary	8.7
	ITOCHU Europe PLC. (U.K.)	100.00%	Consolidation	(1.5)	0.3	European subsidiary	0.8
	ITOCHU Hong Kong Ltd. (Hong Kong)	100.00%	Consolidation	1.5	1.2	Hong Kong subsidiary	1.6
	ITOCHU(China)Holding Co., Ltd. (China)	100.00%	Consolidation	0.9	0.8	China subsidiary	1.4
	ITOCHU Australia Ltd. (*7) (Australia)	100.00%	Consolidation	0.7	0.1	Australian subsidiary	0.8

(*1) ITOCHU's share of net income are the figures after adjusting to U.S. GAAP, which can be different from the figures each company announces.

(*2) For listed companies and NIPPON ACCESS INC., please refer to the results announced by each company.

(*3) For listed companies and NIPPON ACCESS INC., each companies' forecasts of fiscal 2006 are as the following list.

(*4) The net income of ITOCHU Finance Corporation includes that of kabu.com Securities Co., Ltd. .

Name	Companies' Forecasts	Date of Forecasts	Shares	ITOCHU'S share of Forecasts	(Expected) Date of announcement
Century Leasing System, Inc.	-	-	20.13%	-	Apr. 28
ITOCHU TECHNO-SCIENCE Corporation	11.0	Apr. 27	48.44%	5.3	Apr. 27
CRC Solutions Corp.	-	-	40.36%	-	Apr. 28
SPACE SHOWER NETWORKS INC.	0.3	Apr. 27	51.32%	0.2	Apr. 27
Excite Japan Co., Ltd	-	-	67.90%	-	Apr. 28
JAMCO Corporation	-	-	20.60%	-	Apr. 28
Suncall Corporation	-	-	21.00%	-	May. 10
ITOCHU ENEX CO., LTD.	-	-	39.93%	-	May. 9
DAIKEN CORPORATION	-	-	19.42%	-	May. 19
TAKIRON Co., Ltd.	-	-	27.11%	-	May. 17
C.I. KASEI Co., Ltd.	-	-	36.67%	-	May. 19
ITOCHU SHOKUHN Co., Ltd.	-	(Note 1)	44.82%	-	May. 16
Japan Foods Co., Ltd.	0.7	Apr. 22	20.73%	0.1	Apr. 22
Fuji Oil Co., Ltd.	-	-	19.37%	-	May. 12
FamilyMart Co., Ltd.	16.5	Apr. 12	30.59%	5.0	Apr. 12
Prima Meat Packers, Ltd.	-	-	39.69%	-	May. 23
CENTURY 21 REAL ESTATE OF JAPAN LTD.	0.5	Apr. 26	55.28%	0.3	Apr. 26
i-LOGISTICS CORP.	-	-	61.78%	-	Apr. 28
kabu.com Securities Co., Ltd.	-	(Note 2)	23.93%	-	Apr. 21

These figures do not include U.S. GAAP adjustments.

(Note 1) Please refer to the forecast announced by this company, which fiscal year's closing month is September.

(Note 2) This company doesn't disclose the forecasts.

Performance of Group Companies (5)

Years ended March 31, 2005 and 2004

Major Group Companies Reporting Profits

(Unit:billion yen)

Name	Segment (*5)	Shares	Net income (*1)		Comments
			2005	2004	
[Domestic subsidiaries]					
ITOCHU TECHNO-SCIENCE Corporation	Aer	48.44%	5.1	3.5	Increase of ITOCHU's shares by additional investment
ITOCHU Finance Corporation	(*4) Fin	88.14%	2.7	4.1	Recorded gain on negative goodwill in the last fiscal year due to a new equity-method associated company, POCKET CARD CO., LTD.
ITC NETWORKS CORPORATION	Aer	97.39%	2.3	1.7	Favorable sales of cellular phone
ITOCHU PLASTICS INC.	Che	100.00%	1.8	1.7	Steady growths in plastics
ITOCHU Kenzai Corp.	Che	85.84%	1.5	1.0	Increase due to steady markets of domestic building
ITOCHU CHEMICAL FRONTIER Corporation	Che	99.90%	1.0	1.2	Steady growth due to the higher market prices
ITOCHU Non-Ferrous Materials Co., Ltd.	Ene	100.00%	0.8	0.5	Increase due to an effect of combination of business
Nishino Trading Co., Ltd.	Fod	75.73%	0.7	0.9	Decrease due to increase of selling, general, and administrative cost
CONVERSE JAPAN CO., LTD.	Tex	100.00%	0.6	0.5	Continue steady performance
TOMMY HILFIGER JAPAN, INC.	Tex	60.00%	0.6	0.7	Continue steady performance
[Overseas subsidiaries]					
ITOCHU Minerals & Energy of Australia Pty Ltd	(*7)(Australia) Ene	100.00%	13.9	5.3	Rising prices of coal and iron ore and increase in sales volume
ITOCHU International Inc.	(*6)(U.S.A.) Ove	100.00%	8.6	1.4	Steady growths in field of building materials and construction machinery
Prime Source Building Products Inc.	(*6)(U.S.A.) Che	100.00%	7.5	3.2	Increase in building materials-related business in North America, in addition to special demand due to hurricane
ITOCHU Oil Exploration (Azerbaijan) Inc.	(*8)(Cayman) Ene	100.00%	2.0	2.3	Decrease due to increase of non-operating expenses
ITOCHU Hong Kong Ltd.	(Hong Kong) Ove	100.00%	1.5	1.2	Steady growth in profit of consumer credit-related company
ITOCHU Automobile America, Inc.	(U.S.A.) Mac	100.00%	1.1	0.6	Increase due to a new equity-method associated company
ITOCHU (Thailand) Ltd.	(Thailand) Ove	100.00%	1.0	0.8	Steady growth in field of chemicals, forest products & general merchandise
CIPA Lumber Co., Ltd.	(Canada) Che	100.00%	0.9	0.3	Increase in building materials-related business in North America
ITOCHU(China)Holding Co., Ltd.	(China) Ove	100.00%	0.9	0.8	Steady growth in field of mineral resources and chemicals
ITOCHU Singapore Pte, Ltd.	(Singapore) Ove	100.00%	0.8	0.3	Increase in gross trading profit in the field of chemical
ITOCHU Australia Ltd.	(*7)(Australia) Ove	100.00%	0.7	0.1	Increase in profit of mineral resource and textile-related subsidiaries
[Domestic associated companies]					
Marubeni-Itochu Steel Inc.	Ene	50.00%	9.7	3.1	Steady growths in North America and increase in dealing volume of steel pipe etc
FamilyMart Co., Ltd.	Fod	30.59%	4.0	4.2	Due to impairment loss on fixed assets by the early application of accounting standards, despite steady ordinary P/L.
JAPAN OHANET OIL & GAS CO., LTD	(*8) Ene	35.00%	1.0	0.0	Increase due to starting of oil production from this fiscal year
kabu.com Securities Co., Ltd.	(*4) Fin	23.93%	0.9	0.7	Improvement of stock market and expansion of market share
[Overseas associated companies]					
Mazda Canada Inc.	(Canada) Mac	40.00%	0.7	0.4	Steady growth in sales
CGB ENTERPRISES, INC.	(U.S.A.) Fod	50.00%	0.6	0.1	Steady growth in sales

Major Group Companies Reporting Losses

(Unit:billion yen)

Name	Segment (*5)	Shares	Net income (*1)		Comments
			2005	2004	
[Domestic subsidiaries] (*9)					
Roy-ne Co., Ltd	Tex	74.92%	(0.5)	0.0	Due to impairment loss on fixed assets
[Overseas subsidiaries]					
ITOCHU Europe PLC.	(U.K.) Ove	100.00%	(1.5)	0.3	Low performances in affiliated companies
ITOCHU Airlease B.V.	(Netherlands) Aer	100.00%	(0.8)	(0.5)	Impairment losses for aircraft assets
[Domestic associated companies]					
Japan Brazil Paper and Pulp Resources Development Co., Ltd	Che	25.94%	(0.6)	1.7	Due to impairment loss on goodwill relating shares of CENIBRA
[Overseas associated companies]					
P.T. PURADELTA LESTARI P.T. PEMBANGUNAN DELTAMAS	(Indonesia) Fin	25.00%	(1.9)	(1.7)	Effect of exchange loss in Indonesian rupiah

(*5) Tex : Textile
 Mac : Machinery
 Aer : Aerospace, Electronics & Multimedia
 Ene : Energy, Metals & Minerals
 Che : Chemicals, Forest Products & General Merchandise
 Fod : Food
 Fin : Finance, Realty, Insurance & Logistics Services
 Ove : Overseas trading subsidiaries

(*6) The net income of ITOCHU International Inc. includes 80% of that of Prime Source Building Products Inc.

(*7) The net income of ITOCHU Australia Ltd. includes 3.7% of that of ITOCHU Minerals & Energy of Australia.

(*8) Net income (of ITOCHU Oil Exploration (Azerbaijan) Inc. and JAPAN OHANET OIL & GAS CO., LTD.) was included in net income of ITOCHU Oil Exploration Co., Ltd. in the last fiscal year.

(*9) There is Family Corporation Inc., that made a loss on goodwill impairment relating to shares of FamilyMart Co., Ltd., besides above mentioned. ITOCHU's share of net income of this company is loss of 22.8 billion yen.

Consolidated Balance Sheets (Assets) [Condensed]

ITOCHU Corporation and Subsidiaries

as of March 31, 2005 and 2004

-Unaudited-

Assets	Millions of Yen		Millions of U.S. dollars
	2005	2004	2005
Current assets:			
Cash and cash equivalents.....	452,934	579,565	4,218
Time deposits.....	2,684	5,297	25
Marketable securities.....	49,149	42,302	458
Trade receivables :			
Notes.....	155,593	130,562	1,449
Accounts.....	950,482	948,795	8,850
Allowance for doubtful receivables.....	(20,222)	(21,937)	(188)
Net trade receivables.....	1,085,853	1,057,420	10,111
Due from associated companies.....	90,174	83,709	840
Inventories	420,069	374,171	3,912
Advances to suppliers.....	86,453	46,739	805
Prepaid expenses.....	22,878	20,658	213
Deferred tax assets.....	40,096	36,279	373
Other current assets.....	191,605	217,039	1,784
Total current assets	2,441,895	2,463,179	22,739
Investments and non-current receivables:			
Investments in and advances to			
associated companies.....	472,468	481,451	4,400
Other investments.....	441,783	386,522	4,114
Other non-current receivables.....	329,582	382,872	3,069
Allowance for doubtful receivables.....	(143,229)	(174,662)	(1,334)
Net investments and non-current receivables	1,100,604	1,076,183	10,249
Property and equipment, at cost:			
Land.....	165,148	158,584	1,538
Buildings.....	310,907	317,596	2,895
Machinery and equipment.....	250,298	260,272	2,331
Furniture and fixtures.....	49,217	53,528	458
Mining rights.....	28,230	26,486	263
Construction in progress.....	4,482	7,875	42
Total property and equipment, at cost.....	808,282	824,341	7,527
Less accumulated depreciation.....	310,924	317,270	2,896
Net property and equipment	497,358	507,071	4,631
Prepaid pension cost.....	178,890	183,743	1,666
Deferred tax assets, non-current.....	109,085	129,101	1,016
Other assets.....	144,513	128,005	1,345
Total	4,472,345	4,487,282	41,646

Note :

- Consolidated balance sheets have been prepared in conformity with accounting principles generally accepted in the United States of America.
- From fiscal 2005, "Mining rights", which was previously included in "Other assets", is reclassified to "Property and equipment, at cost" in accordance with Emerging Issues Task Force (EITF) No.04-02. Accordingly, consolidated balance sheet as of March 31, 2004 were reclassified.

Consolidated Balance Sheets (Liabilities and Stockholders' Equity) [Condensed]

-Unaudited-

ITOCHU Corporation and Subsidiaries

as of March 31, 2005 and 2004

Liabilities and Stockholders' Equity	Millions of Yen		Millions of U.S. dollars
	2005	2004	2005
Current liabilities:			
Short-term debt	421,697	549,809	3,927
Current maturities of long-term debt.....	255,173	335,444	2,376
Trade payables :			
Notes and acceptances.....	161,798	154,902	1,507
Accounts.....	805,150	754,147	7,497
Total trade payables.....	966,948	909,049	9,004
Due to associated companies.....	42,050	42,941	392
Income taxes payable.....	24,032	18,275	224
Accrued expenses.....	98,136	92,240	914
Advances from customers.....	90,153	53,467	839
Deferred tax liabilities.....	802	208	7
Other current liabilities.....	161,148	143,714	1,501
Total current liabilities	2,060,139	2,145,147	19,184
Long-term debt, excluding current maturities.....	1,750,815	1,757,313	16,303
Accrued retirement and severance benefits.....	22,405	21,512	209
Deferred tax liabilities, non-current.....	11,653	13,261	108
Commitments and contingent liabilities			
Minority interests.....	116,936	127,183	1,089
Stockholders' equity:			
Common stock :			
Authorized 3,000,000,000 shares ;			
Issued:			
1,584,889,504 shares 2005.....			
1,584,889,504 shares 2004.....	202,241	202,241	1,883
Capital surplus	137,024	136,915	1,276
Retained earnings :			
Legal reserve	3,927	3,450	37
Other retained earnings	184,273	106,958	1,716
Accumulated other comprehensive income (loss).....			
Foreign currency translation adjustments.....	(63,419)	(67,767)	(590)
Minimum pension liability adjustments.....	(2,047)	(634)	(19)
Unrealized holding gains on securities.....	52,746	45,653	491
Unrealized holding losses on derivative instruments.....	(3,522)	(3,234)	(33)
	(16,242)	(25,982)	(151)
Treasury stock, at cost.....	(826)	(716)	(8)
Total stockholders' equity	510,397	422,866	4,753
Total	4,472,345	4,487,282	41,646

[Explanation for Consolidated Balance Sheets]

Assets

	(Unit: billion yen)			Reasons for Increase/Decrease
	Mar 2005	Mar 2004	Increase (Decrease)	
Cash and cash equivalents	452.9	579.6	(126.6)	Repayment of interest-bearing debts, etc.
Net trade receivables	1,085.9	1,057.4	28.4	Increase in note receivables, etc.
Inventories	420.1	374.2	45.9	Mainly increase in Machinery; Aerospace, Electronics & Multimedia; Energy; and Forest Products & General Merchandise
Advances to suppliers	86.5	46.7	39.7	Mainly increase in Machinery; Aerospace, Electronics & Multimedia
Other current assets	191.6	217.0	(25.4)	Decrease in other account receivables, etc.
Other investments	441.8	386.5	55.3	Mainly increase in new or additional investment for Orient Corporation and Isuzu Motors Ltd, etc.
Other non-current receivables (after deducting allowance for doubtful receivables)	186.4	208.2	(21.9)	Collection of non-current receivables, etc.

Liabilities

	(Unit: billion yen)			Reasons for Increase/Decrease
	Mar 2005	Mar 2004	Increase (Decrease)	
Trade payables	966.9	909.0	57.9	Mainly increase in Energy; Chemicals, Forest Products & General Merchandise; and Food
Advances from customers	90.2	53.5	36.7	Mainly increase in Machinery; and Aerospace, Electronics & Multimedia
Other current liabilities	161.1	143.7	17.4	Mainly increase in Aerospace, Electronics & Multimedia and Energy

[Interest-bearing debts]

Short-term loans payable	421.7	549.8	(128.1)
Current installments of long-term loans payable	160.5	279.0	(118.4)
Current installments of debentures	94.6	56.5	38.2
Short-term total	676.9	885.3	(208.4)
Long-term loans payable	1,472.7	1,414.8	58.0
Debentures	186.0	247.3	(61.3)
Long-term total	1,658.7	1,662.0	(3.3)
Total interest-bearing debts	2,335.6	2,547.3	(211.6)
SFAS 133 fair value adjustment	11.1	14.7	(3.6)
Adjusted total interest-bearing debts	2,346.7	2,561.9	(215.2)
Cash, cash equivalents and time deposits	455.6	584.9	(129.2)
Net interest-bearing debts	1,891.1	1,977.0	(86.0)
Net debt-to-equity ratio (times)	3.7	4.7	(1.0)

Stockholders' equity

	(Unit: billion yen)			
	Mar 2005	Mar 2004	Increase (Decrease)	
Common stock	202.2	202.2	-	
Capital surplus	137.0	136.9	0.1	
Legal reserve	3.9	3.5	0.5	
Other retained earnings	184.3	107.0	77.3	Net income +77.8, etc.
Accumulated other comprehensive income (loss)	(16.2)	(26.0)	9.7	
Foreign currency translation adjustments	(63.4)	(67.8)	4.3	
Minimum pension liability adjustments	(2.0)	(0.6)	(1.4)	
Unrealized holding gains on securities	52.7	45.7	7.1	
Unrealized holding losses on derivative instruments	(3.5)	(3.2)	(0.3)	
Treasury stock, at cost	(0.8)	(0.7)	(0.1)	
Ratio of stockholders' equity	11.4%	9.4%	2.0%	

[Current exchange rate Yen/US\$]

[For March closing companies]

[For December closing companies]

Mar 2005	Mar 2004	Changes	Dec 2004	Dec 2003	Changes
107.39	105.69	+1.70	104.21	107.13	(2.92)
Mar 2004	Mar 2003	Changes	Dec 2003	Dec 2002	Changes
105.69	120.20	(14.51)	107.13	119.90	(12.77)

Consolidated Statements of Operations [Condensed]

-Unaudited-

ITOCHU Corporation and Subsidiaries

Years ended March 31, 2005 and 2004

	Millions of Yen		Millions of U.S. dollars
	2005	2004	2005
Revenue:			
Sales revenue	1,598,672	1,355,372	14,887
Trading margins and commissions on trading transactions.....	392,566	383,375	3,655
Total trading transactions :			
2005: 9,576,039 million yen (89,171 million U.S.dollars)			
2004: 9,516,967 million yen			
Total revenue.....	1,991,238	1,738,747	18,542
Cost of sales.....	(1,360,477)	(1,182,852)	(12,668)
Gross trading profit	630,761	555,895	5,874
Selling, general and administrative expenses	(466,840)	(466,055)	(4,347)
Provision for doubtful receivables.....	(6,181)	(10,624)	(58)
Interest income	10,774	12,819	100
Interest expense	(31,814)	(37,562)	(296)
Dividends received.....	14,162	10,528	131
Loss on disposal of investments and marketable securities, net of write-down.....	(25,384)	(13,633)	(236)
Loss on property and equipment-net.....	(5,959)	(129,432)	(55)
Other-net.....	439	(13,982)	4
	(510,803)	(647,941)	(4,757)
Income (loss) before income taxes, minority interests, equity in earnings of associated companies and extraordinary items.....	119,958	(92,046)	1,117
Income taxes.....	(62,543)	45,457	(582)
Income (loss) before minority interests, equity in earnings of associated companies and extraordinary items.....	57,415	(46,589)	535
Minority interests	(11,387)	(10,042)	(107)
Equity in earnings of associated companies	31,764	22,859	296
Net income (loss) before extraordinary items.....	77,792	(33,772)	724
Extraordinary items- gain on negative goodwill,less applicable income taxes of 1,271 million yen.....	-	1,828	-
Net income (loss).....	77,792	(31,944)	724
		Y e n	U.S.dollars
	2005	2004	2005
Net income per common shares (basic and diluted)	49.16	(20.20)	0.46

Note :

1. Consolidated statements of operations have been prepared in conformity with accounting principles generally accepted in the United States of America.
2. ITOCHU Corporation and its subsidiaries have presented revenue and corresponding cost of revenue in the consolidated statements of operations in accordance with Emerging Issues Task Force (EITF) No.99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent" since fiscal 2004 (for the year ended March 31, 2004). Accordingly, consolidated statements of operations for the year ended March 31, 2004 were restated.
3. "Total trading transactions" is presented in accordance with Japanese accounting practice.
Total trading transactions in the consolidated statements of operations consist of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.
4. "Selling, general and administrative expenses" in fiscal 2004 included the amount of net loss of 3,161 million yen on settlement of substitutional portion of the Employees' Pension Fund.
5. The amount of gains on negative goodwill of 2,192 million yen, which was included in "Equity in earnings of associated companies"(25,051million yen) in the last fiscal year, was reclassified as "Extraordinary items-gain on negative goodwill" (less applicable income taxes of 1,271 million yen) 1,828 million yen and "Minority interests" 364 million yen.

[Explanation for Consolidated Statements of Income]

	(Unit : billion yen)	2005	2004	Increase (Decrease)	Reasons for changes
Revenue		1,991.2	1,738.7	252.5	Increase in resource-related transactions due to high market prices
Gross trading profit		630.8	555.9	74.9	Refer to page 30 "Segment Information" Increase due to strong performance in ITOCHU Corporation and existing subsidiaries : Approximately +51.1 Effect of joining to subsidiaries : Approximately +13.4 Effect of leaving from subsidiaries : Approximately -3.9 Effect of yen's appreciation against U.S. dollar : Approximately -5.9 Effect of the below (*1) +20.2
Selling, general and administrative expenses					
Personnel expenses (including pension costs)		(209.6)	(221.3)	11.7	Improvement in pension costs +22.5 Increase accompanied by expansion of business in existing subsidiaries : Approximately -19.7 Effect of joining to subsidiaries : Approximately -11.0 Effect of leaving from subsidiaries : Approximately +3.9 Effect of yen's appreciation against U.S. dollar : Approximately +3.5
Service charge, distribution costs		(106.2)	(96.9)	(9.2)	
Rent, depreciation and amortization		(57.0)	(58.3)	1.3	
Travel expenses		(19.5)	(18.5)	(1.0)	
Others		(74.6)	(71.1)	(3.5)	
Other expenses		(257.2)	(244.7)	(12.5)	
Total		(466.8)	(466.1)	(0.8)	
Provision for doubtful receivables		(6.2)	(10.6)	4.4	Decrease of bad debt
Net financial expenses		(6.9)	(14.2)	7.3	
Interest income		10.8	12.8	(2.0)	Reduction of interest-bearing debts, etc. Dividends received from LNG-related investments +1.3 (5.7→6.9) Mizuho Financial Group +0.3 (0.0→0.3), etc.
Interest expense		(31.8)	(37.6)	5.7	
Net interest expenses		(21.0)	(24.7)	3.7	
Dividends received		14.2	10.5	3.6	
Loss on disposal of investments and marketable securities, net		(25.4)	(13.6)	(11.8)	2005 Gains on sales of securities +28.6, Devaluation losses on securities -46.9, Losses on liquidation of businesses -7.1 2004 Effect of the below (*1) -1.5, Disposal/devaluation losses on securities -19.8, Losses for liquidation of businesses -8.4, gains on sales of securities +16.4, etc.
Loss on property and equipment-net		(6.0)	(129.4)	123.5	2004 Effect of the below (*1) -121.8
Other-net		0.4	(14.0)	14.4	2005 Improvement in foreign exchange profits and losses, etc. 2004 Effect of the below (*1) -3.8
Minority interests		(11.4)	(10.0)	(1.3)	[Current exchange rate Yen/US\$] 2005 107.39 2004 105.69 Changes +1.70
Equity in earnings of associated companies		31.8	22.9	8.9	Marubeni-Itochu Steel Inc. +6.6, etc. Refer to page 17-18 "Performance of Group Companies (4), (5)"
Total trading transactions		9,576.0	9,517.0	59.1	Refer to page 30 "Segment Information" (Note) Effect of yen's appreciation against U.S. dollar : Approximately -259.0
Adjusted profit		188.8	100.7	88.1	(*) The amount () presents changes from the last fiscal year Adjusted profit(*) (+88.1) = Gross trading profit (+74.9) + SG&A expenses (-0.8) + Net financial expenses (+7.3) + Equity in earnings of associated companies (+8.9) + (***) Gain on negative goodwill (-2.2)
Increase / Decrease against Ordinary P/L of fiscal 2004 refer to the below (*1) (*2)					[Average exchange rate Yen/US\$] [For March closing companies] 2005 2004 Changes 107.94 113.78 (5.84) 2004 2003 Changes 113.78 122.85 (9.07) [For December closing companies] 2005 2004 Changes 108.60 117.10 (8.50) 2004 2003 Changes 117.10 125.60 (8.50)

(*1) "Impairment losses" presents the special losses recognized in accordance with "Early application of impairment for fixed assets, the change of forecasts for fiscal year ending March 2004 and cash dividends" which was announced by ITOCHU on April 2, 2004.

(*2) "Ordinary P/L" presents the actual amounts that exclude the special losses of the above (*1) from the results of fiscal 2004.

Consolidated Statements of Stockholders' Equity [Condensed]

ITOCHU Corporation and Subsidiaries

Years ended March 31, 2005 and 2004

-Unaudited-

	Millions of Yen		Millions of U.S. dollars
	2005	2004	2005
Common stock:			
Balance at beginning of year	202,241	202,241	1,883
Balance at end of year	<u>202,241</u>	<u>202,241</u>	<u>1,883</u>
Capital surplus:			
Balance at beginning of year	136,915	136,842	1,275
Acquisition of minority interests through issuance of common stock	-	141	-
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies	-	(82)	-
Excess arising from retirement of treasury stock	109	14	1
Balance at end of year	<u>137,024</u>	<u>136,915</u>	<u>1,276</u>
Retained earnings:			
Legal reserve:			
Balance at beginning of year	3,450	3,212	33
Transfer from other retained earnings	575	301	5
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies	(98)	(63)	(1)
Balance at end of year	<u>3,927</u>	<u>3,450</u>	<u>37</u>
Other retained earnings:			
Balance at beginning of year	106,958	143,014	996
Net income (loss)	77,792	(31,944)	724
Cash dividends	-	(3,956)	-
Transfer to legal reserve	(575)	(301)	(5)
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies	98	145	1
Balance at end of year	<u>184,273</u>	<u>106,958</u>	<u>1,716</u>
Accumulated other comprehensive income (loss):			
Balance at beginning of year	(25,982)	(58,408)	(242)
Other comprehensive income	9,740	32,426	91
Balance at end of year	<u>(16,242)</u>	<u>(25,982)</u>	<u>(151)</u>
Treasury stock:			
Balance at beginning of year	(716)	(681)	(7)
Net changes in treasury stock	(110)	(35)	(1)
Balance at end of year	<u>(826)</u>	<u>(716)</u>	<u>(8)</u>
Total.....	<u>510,397</u>	<u>422,866</u>	<u>4,753</u>
Comprehensive income:			
Net income (loss)	77,792	(31,944)	724
Other comprehensive income (net of tax):			
Net change in foreign currency translation adjustments during the year	4,348	(16,558)	41
Minimum pension liability adjustments	(1,413)	794	(13)
Net change in unrealized holding gains on securities during the year	7,093	46,034	66
Net change in unrealized holding losses (gains) on derivative instruments during the year	(288)	2,156	(3)
Total.....	<u>87,532</u>	<u>482</u>	<u>815</u>

[Explanation for Statements of Stockholders' Equity]

Accumulated other comprehensive income (loss)

1. Foreign currency translation adjustments

[Accounting method]

Foreign exchange differences in exchange rate between at invested to the overseas group companies and at the end of this period , are recognized as "Foreign currency translation adjustments" instead of gains or losses for the period on the statements of income.

(Unit:billion yen)	<u>Mar 2005</u>	<u>Mar 2004</u>	<u>Increase (Decrease)</u>
Current balance :	(63.4)	(67.8)	+4.3
	<u>Dec 2004</u>	<u>Dec 2003</u>	<u>Changes</u>
Current rate :	104.21	107.13	(2.92)
(Yen/US\$)	<u>Mar 2005</u>	<u>Mar 2004</u>	<u>Changes</u>
	107.39	105.69	+1.70

2. Minimum pension liability adjustments

[Accounting method]

Net deficient balance of plan assets less benefit obligations is amortized over the certain periods, and unamortized balance is recognized as "Minimum pension liability adjustments".

(Unit:billion yen)	<u>Mar 2005</u>	<u>Mar 2004</u>	<u>Increase (Decrease)</u>
Current balance :	(2.0)	(0.6)	(1.4)

The balances of March 2005 and 2004 present net deficient balances of plan assets less benefit obligations that belong to ITOCHU's subsidiaries. ITOCHU Corporation (parent company) is not in net deficient position.

3. Unrealized holding gains on securities

[Accounting method]

Available-for-sale securities, not for trading purposes, are recorded at fair value at the end of this period, and differences (after income taxes) between carrying amount and fair value are recognized as "Unrealized holding gains on securities".

(Unit:billion yen)	<u>Mar 2005</u>	<u>Mar 2004</u>	<u>Increase (Decrease)</u>
Current balance :	52.7	45.7	+7.1

4. Unrealized holding losses on derivative instruments

[Accounting method]

Principally interest rate swap agreements that change floating-rate interests to fixed-rate interests and that are designated and qualify as cash flow hedges, are recorded at fair value at the end of this period, and differences (after income taxes) between carrying amount and fair value are recognized as "Unrealized holding losses on derivative instruments".

(Unit:billion yen)	<u>Mar 2005</u>	<u>Mar 2004</u>	<u>Increase (Decrease)</u>
Current balance :	(3.5)	(3.2)	(0.3)

Consolidated Statements of Cash Flows [Condensed]

 ITOCHU Corporation and Subsidiaries
 Years ended March 31, 2005 and 2004

-Unaudited-

	Millions of Yen		Millions of
	2005	2004	U.S. dollars
			2005
Cash flows from operating activities :			
Net income (loss)	77,792	(31,944)	724
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	40,086	40,184	373
Provision for doubtful receivables	6,181	10,624	58
Loss on disposal of investments and marketable securities, net of write-down	25,384	13,633	236
Loss on property and equipment-net.....	5,959	129,432	55
Equity in earnings of associated companies, less dividends received	(25,942)	(17,310)	(242)
Deferred income taxes	15,556	(76,579)	145
Minority interests	11,387	10,042	107
Extraordinary items-gain on negative goodwill	-	(1,828)	-
Changes in assets and liabilities, other-net	(29,779)	108,526	(277)
Net cash provided by operating activities	126,624	184,780	1,179
Cash flows from investing activities :			
Net purchases of property, equipment and other assets	(56,815)	(47,946)	(529)
Net decrease (increase) in investments in and advances to associated companies	11,686	(8,546)	109
Net purchases of other investments	(80,249)	(5,515)	(747)
Net collection (origination) of non-current loan receivables	1,810	(2,775)	17
Net decrease in time deposits.....	653	9,769	6
Net increase in marketable securities.....	(4,685)	(287)	(44)
Net cash used in investing activities	(127,600)	(55,300)	(1,188)
Cash flows from financing activities :			
Net repayments of long-term debt	(73,305)	(25,368)	(683)
Net decrease in short-term debt	(50,153)	(47,543)	(467)
Other	(1,884)	(6,784)	(17)
Net cash used in financing activities	(125,342)	(79,695)	(1,167)
Effect of exchange rate changes on cash and cash equivalents	(313)	(4,376)	(3)
Net (decrease) increase in cash and cash equivalents	(126,631)	45,409	(1,179)
Cash and cash equivalents at beginning of year	579,565	534,156	5,397
Cash and cash equivalents at end of year	452,934	579,565	4,218

Note :

The amount of gains on negative goodwill of 2,192 million yen, which was included in "Equity in earnings of associated companies" in the last fiscal year, was reclassified as "Extraordinary items-gain on negative goodwill" (less applicable income taxes of 1,271 million yen) 1,828 million yen and "Minority interests" 364 million yen.

[Explanation for Statements of Cash Flows]

Note :
Explanation for indication

Cash-inflow : " + "
Cash-outflow : "()"

"Decrease in assets" or "Increase in liabilities" : Cash-inflow
"Increase in assets" or "Decrease in liabilities" : Cash-outflow

Cash flows from operating activities

(Unit: billion yen)

	<u>2005</u>	<u>2004</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Reasons for increase / decrease</u>
Net income (loss)	77.8	(31.9)	109.7	Changes in net income (loss) +109.7
*Non-cash charges of P/L	78.6	108.2	(29.6)	Loss on property and equipment-net -123.5, Deferred income taxes +92.1 etc.
Changes in assets and liabilities, other-net	(29.8)	108.5	(138.3)	Trade receivables / payables -79.1, Inventories -69.5 etc.
Net cash provided by operating activities	126.6	184.8	(58.2)	

* To eliminate non-cash P/L items such as depreciation/amortization expenses and provision for doubtful receivables, and to transfer P/L on marketable securities, investment, property and equipment from operating activities to investing or financing activities.

Cash flows from investing activities

(Unit: billion yen)

	<u>2005</u>	<u>2004</u>	<u>Increase</u> <u>(Decrease)</u>	
Net purchases of property, equipment and other assets	(56.8) a	(47.9) b	(8.9)	a : Purchases of land by parent -10.0, Food subsidiaries -9.5 etc. b : Acquisition of trademarks by parent -5.3, Mineral resources subsidiaries -24.2 etc.
Net decrease (increase) in investments in and advances to associated companies	11.7 a	(8.5) b	20.2	a : Repayment from Star Channel +2.9 etc. b : Investment in POCKET CARD -5.2, and Prima Meat Packers -5.0 etc.
Net purchases of other investments	(80.2) a	(5.5) b	(74.7)	a : Acquisition of preferred share for Orico -22.0, preferred shares for Isuzu Motors Ltd. -19.1, etc. b : Acquisition by energy-related subsidiaries -2.9, etc.
Net collection (origination) of non-current loan receivables	1.8	(2.8)	4.6	
Net decrease in time deposits	0.7	9.8 b	(9.1)	b : Decrease in time deposits of parent +10.9, etc.
Net increase in marketable securities	(4.7)	(0.3)	(4.4)	

Cash flows from financing activities

(Unit: billion yen)

(Note)

Changes in current installments of long-term debt are included in "Net proceeds from (repayment of) long-term debt" on the statements of cash flows.

	<u>2005</u>	<u>2004</u>	<u>Increase</u> <u>(Decrease)</u>	
Net repayments of long-term debt	(73.3) a	(25.4) b	(47.9)	a : Parent -57.8, etc. b : Parent +6.3, ITOCHU International Inc.-21.3, etc.
Net decrease in short-term debt	(50.2) a	(47.5) b	(2.6)	a : Parent -31.9, ITOCHU International Inc.-10.0, etc. b : Parent -29.8, ITOCHU International Inc.-8.9, etc.
Other	(1.9) a	(6.8) b	4.9	a : Dividends paid to minority shareholders -3.3, etc. b : Dividends paid -4.0, Dividends paid to minority shareholders -3.3, etc.

Total Trading Transactions and Gross Trading Profit

ITOCHU Corporation and Subsidiaries

Years ended March 31, 2005 and 2004

	Yen (millions)		U.S.dollars (millions)	
	2005	2004	2005	2004
Total Trading Transactions:				
		%		%
Textile	829,093	8.7	817,006	8.6
Machinery	1,166,654	12.2	1,406,927	14.8
Aerospace, Electronics & Multimedia	630,854	6.6	633,996	6.7
Energy, Metals & Minerals	2,471,488	25.8	2,138,232	22.5
Chemicals, Forest Products & General Merchandise	1,893,215	19.8	1,714,950	18.0
Food	2,111,932	22.0	2,345,137	24.6
Finance, Realty, Insurance & Logistics Services, & Other	472,803	4.9	460,719	4.8
Total	9,576,039	100.0	9,516,967	100.0
		%		%
Gross Trading Profit:				
Textile	112,843	17.9	100,342	18.1
Machinery	57,973	9.2	51,104	9.2
Aerospace, Electronics & Multimedia	108,410	17.2	105,466	19.0
Energy, Metals & Minerals	39,079	6.2	24,711	4.4
Chemicals, Forest Products & General Merchandise	105,939	16.8	91,914	16.5
Food	136,161	21.6	130,921	23.5
Finance, Realty, Insurance & Logistics Services, & Other	70,356	11.1	51,437	9.3
Total	630,761	100.0	555,895	100.0

[Explanation for Total Trading Transactions and Gross Trading Profit]

Total trading transactions by products

(Unit: billion yen)

	2005		2004		In/Decrease	
	Amounts	(Components)	Amounts	(Components)	Amounts	(Changes ratio)
Energy, Metals & Minerals	2,471.5	(25.8 %)	2,138.2	(22.5 %)	+ 333.3	(+ 15.6 %)
Metals and Minerals	375.6	(3.9 %)	308.1	(3.2 %)	+ 67.5	(+ 21.9 %)
Energy	2,095.9	(21.9 %)	1,830.2	(19.2 %)	+ 265.7	(+ 14.5 %)
Chemicals, Forest Products & General Merchandise	1,893.2	(19.8 %)	1,715.0	(18.0 %)	+ 178.3	(+ 10.4 %)
Forest Products & General Merchandise	847.6	(8.9 %)	843.3	(8.9 %)	+ 4.4	(+ 0.5 %)
Chemicals	1,045.6	(10.9 %)	871.7	(9.2 %)	+ 173.9	(+ 19.9 %)
Finance, Realty, Insurance & Logistics Services, & Other	472.8	(4.9 %)	460.7	(4.8 %)	+ 12.1	(+ 2.6 %)
Construction & Realty	154.7	(1.6 %)	155.0	(1.6 %)	- 0.3	(- 0.2 %)
Finance, Insurance & Logistics Services	88.4	(0.9 %)	80.8	(0.8 %)	+ 7.6	(+ 9.5 %)
Other, Adjustments & Eliminations	229.7	(2.4 %)	224.9	(2.4 %)	+ 4.8	(+ 2.1 %)

(Note)

Yen/U.S.\$ average rate

		[For March closing companies]		[For December closing companies]
2005	107.94	Yen/U.S.\$	108.60	Yen/U.S.\$
2004	113.78	Yen/U.S.\$	117.10	Yen/U.S.\$
	5.84	yen's appreciation (5.41%)	8.50	yen's appreciation (7.83%)

Effects of exchange rate changes on total trading transactions (Estimates)

Import	-63.0
Export	-35.0
Offshore	-161.0
Total	-259.0 billion yen (approximately)

Decrease in total trading transactions effected by 1 yen appreciation against U.S.dollars

: Approximately 39.0 billion yen per year

Gross trading profit by products

(Unit: billion yen)

	2005		2004		In/Decrease	
	Amounts	(Components)	Amounts	(Components)	Amounts	(Changes ratio)
Energy, Metals & Minerals	39.1	(6.2 %)	24.7	(4.4 %)	+ 14.4	(+ 58.1 %)
Metals and Minerals	25.8	(4.1 %)	14.4	(2.6 %)	+ 11.4	(+ 78.8 %)
Energy	13.3	(2.1 %)	10.3	(1.8 %)	+ 3.0	(+ 29.1 %)
Chemicals, Forest Products & General Merchandise	105.9	(16.8 %)	91.9	(16.5 %)	+ 14.0	(+ 15.3 %)
Forest Products & General Merchandise	70.4	(11.2 %)	59.7	(10.7 %)	+ 10.8	(+ 18.0 %)
Chemicals	35.5	(5.6 %)	32.3	(5.8 %)	+ 3.3	(+ 10.1 %)
Finance, Realty, Insurance & Logistics Services, & Other	70.4	(11.1 %)	51.4	(9.3 %)	+ 18.9	(+ 36.8 %)
Construction & Realty	21.9	(3.5 %)	1.2	(0.2 %)	+ 20.7	(+ 1739.1 %)
Finance, Insurance & Logistics Services	17.4	(2.7 %)	14.8	(2.7 %)	+ 2.7	(+ 18.1 %)
Other, Adjustments & Eliminations	31.0	(4.9 %)	35.5	(6.4 %)	- 4.4	(- 12.5 %)

Segment Information

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2005 and 2004

ITOCHU Corporation and its subsidiaries are engaged in a wide range of business activities such as worldwide trading operations in various commodities, financing for customers and suppliers, organizing and coordinating industrial projects, and investing in resource development, advanced technology, information and multimedia.

ITOCHU Corporation and its subsidiaries have introduced a division company system, and information on operating segments is prepared and presented according to this system.

This system is regularly used for decisions, including resource allocations, and evaluations by the management.

Information concerning operations in different operating segments for years ended March 31, 2005 and 2004 was as follows:

									2005	
									Yen (millions)	
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated	
Total trading transactions:										
Unaffiliated customers and associated companies.....	829,093	1,166,654	630,854	2,471,488	1,893,215	2,111,932	243,092	229,711	9,576,039	
Transfers between operating segments	780	110	3,637	913	6,344	276	7,550	(19,610)	-	
Total trading transactions	829,873	1,166,764	634,491	2,472,401	1,899,559	2,112,208	250,642	210,101	9,576,039	
Gross trading profit	112,843	57,973	108,410	39,079	105,939	136,161	39,329	31,027	630,761	
Net income (loss)	14,810	10,480	14,362	25,672	20,253	(9,278)	5,360	(3,867)	77,792	
[Equity in earnings of associated companies].....	(310)	(4,482)	(1,872)	(11,975)	(1,188)	(10,018)	(2,452)	(533)	(31,764)	
Identifiable assets at March 31.....	377,230	451,442	489,415	491,012	583,720	727,959	615,304	736,263	4,472,345	
									2004	
									Yen (millions)	
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated	
Total trading transactions:										
Unaffiliated customers and associated companies.....	817,006	1,406,927	633,996	2,138,232	1,714,950	2,345,137	235,778	224,941	9,516,967	
Transfers between operating segments	1,710	123	1,197	734	7,801	242	7,735	(19,542)	-	
Total trading transactions	818,716	1,407,050	635,193	2,138,966	1,722,751	2,345,379	243,513	205,399	9,516,967	
Gross trading profit	100,342	51,104	105,466	24,711	91,914	130,921	15,965	35,472	555,895	
Net income (loss)	11,681	3,855	2,575	12,924	11,534	13,279	(75,631)	(12,161)	(31,944)	
[Equity in earnings of associated companies].....	[18]	[4,133]	[460]	[7,465]	[2,603]	[7,967]	[1,119]	(906)	[22,859]	
Identifiable assets at March 31.....	382,696	433,557	464,311	443,726	557,364	711,606	609,733	884,289	4,487,282	
									2005	
									U.S.dollars (millions)	
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated	
Total trading transactions:										
Unaffiliated customers and associated companies.....	7,720	10,864	5,875	23,014	17,629	19,666	2,264	2,139	89,171	
Transfers between operating segments	7	1	34	9	59	3	70	(183)	-	
Total trading transactions	7,727	10,865	5,909	23,023	17,688	19,669	2,334	1,956	89,171	
Gross trading profit	1,051	540	1,010	364	986	1,268	366	289	5,874	
Net income (loss)	138	97	134	239	188	(86)	50	(36)	724	
[Equity in earnings of associated companies].....	[3]	[42]	[17]	[112]	[11]	[93]	[23]	(5)	[296]	
Identifiable assets at March 31.....	3,513	4,204	4,557	4,572	5,435	6,779	5,730	6,856	41,646	

Note :

- "Equity in earnings of associated company" is included in Net income (loss).
- "Total trading transactions" is presented in accordance with Japanese accounting practice.
Total trading transactions consist of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.

[Explanation for Operating Segment Information]

Trading transactions

(Unit : billion yen)	2005	2004	Increase (Decrease)	Reasons for changes
Textile	829.1	817.0	12.1	Increase due to acquisition of a new business
Machinery	1,166.7	1,406.9	(240.3)	Decrease due to a reduction in low-efficient transactions and a large amount of plant transactions dealt in the last fiscal year
Aerospace, Electronics & Multimedia	630.9	634.0	(3.1)	Decrease due to a reduction in low-efficient transactions and decrease in domestic IT-related business, despite increase from the aerospace-related business acquisition and increase in the cellular phone-related business
Energy, Metals & Minerals	2,471.5	2,138.2	333.3	Increase due to rising prices of coal, iron ore and crude oil, and increase in transaction volume
Chemicals, Forest Products & General Merchandise	1,893.2	1,715.0	178.3	Increase due to high market prices of chemicals, and a steady growth in building materials-related transactions in North America
Food	2,111.9	2,345.1	(233.2)	Decrease due to a reduction in low-efficient transactions despite rising market prices and increasing transactions in commercial food distribution subsidiaries
Finance, Realty, Insurance & Logistics Services	243.1	235.8	7.3	Increase due to starting new business in logistics
Others	229.7	224.9	4.8	Increase in sales of the equipment materials-related subsidiary in North America
Total	9,576.0	9,517.0	59.1	

Gross trading profit

(Unit : billion yen)	2005	2004	Increase (Decrease)	Reasons for changes
Textile	112.8	100.3	12.5	Increase due to acquisition of a new business
Machinery	58.0	51.1	6.9	Increase in shipping business, sales of motor vehicles in Europe and North America, and a construction machinery business in North America
Aerospace, Electronics & Multimedia	108.4	105.5	2.9	Increase from the aerospace-related business acquisition in addition to steady sales in the cellular phone-related business despite decrease in domestic IT-related business
Energy, Metals & Minerals	39.1	24.7	14.4	Increase due to rising prices of coal, iron ore and crude oil, and increase in transaction volume
Chemicals, Forest Products & General Merchandise	105.9	91.9	14.0	Increase due to high market prices of chemicals, and a steady growth in building materials-related transactions in North America
Food	136.2	130.9	5.2	Increase in transaction volume in food materials and in commercial food distribution subsidiaries
Finance, Realty, Insurance & Logistics Services	39.3	16.0	23.4	Decrease in disposal losses on residential properties and devaluation due to re-valuation of real estates, refer to "Impairment losses" mentioned below (*1), in addition to increase in condominium sales
Others	31.0	35.5	(4.4)	Decrease due to the segment change of subsidiaries and exchange gain or loss, despite increase in sales of the equipment materials-related subsidiary in North America
Total	630.8	555.9	74.9	
(Reference(*2))		[576.1]	[54.7]	[Effect of "Impairment losses" in the last fiscal year(*1) (20.2)]

Net income (loss)

(Unit : billion yen)	2005	2004	Increase (Decrease)	Reasons for changes
Textile	14.8	11.7	3.1	Increase mainly due to rising in gross trading profit
Machinery	10.5	3.9	6.6	Increase in gross trading profit and equity in earnings of the associated companies, in addition to decrease in loss on property and equipment
Aerospace, Electronics & Multimedia	14.4	2.6	11.8	Increase in gross trading profit, and decrease in loss on disposal of investment, in addition to IPO of a subsidiary
Energy, Metals & Minerals	25.7	12.9	12.7	Increase in gross trading profit, in dividends received from energy business, and in equity in earnings of associated companies
Chemicals, Forest Products & General Merchandise	20.3	11.5	8.7	Increase mainly in gross trading profit
Food	(9.3)	13.3	(22.6)	Decrease due to impairment loss on goodwill relating to shares of FamilyMart Co., Ltd. [(26.6)], despite increase in gross trading profit and in equity in earnings of associated companies
Finance, Realty, Insurance & Logistics Services	5.4	(75.6)	81.0	Increase due to a decrease in loss on property and equipment, in addition to IPO of a subsidiary
Others	(3.9)	(12.2)	8.3	Improvement due to increase of gain on disposal of investment and to decrease of impairment losses on property and equipment
Total	77.8	(31.9)	109.7	
(Reference(*2))		[46.1]	[31.7]	[Effect of "Impairment losses" in the last fiscal year(*1) (78.0)]

Identifiable assets

(Unit : billion yen)	2005	2004	Increase (Decrease)	Reasons for changes
Textile	377.2	382.7	(5.5)	Decrease due to collection of receivables
Machinery	451.4	433.6	17.9	Increase due to a new investment and in automobile, shipping business, despite decrease due to collection of receivables
Aerospace, Electronics & Multimedia	489.4	464.3	25.1	Increase due to the acquisition of aerospace-related business
Energy, Metals & Minerals	491.0	443.7	47.3	Increase in trade receivables in energy sector due to rising crude oil prices and increase of overseas trade
Chemicals, Forest Products & General Merchandise	583.7	557.4	26.4	Increase in trade receivables and inventories due to increase in sales due to rising in market prices
Food	728.0	711.6	16.4	Increase due to the additional investment and increase in trade receivables, despite decrease due to impairment loss on goodwill relating to shares of FamilyMart Co., Ltd.
Finance, Realty, Insurance & Logistics Services	615.3	609.7	5.6	Increase due to the new acquisition of preferred shares relating to finance sector, despite decrease in real estate sector
Others	736.3	884.3	(148.0)	Decrease in cash and cash equivalents
Total	4,472.3	4,487.3	(14.9)	

(*1) "Impairment losses" presents the special losses recognized in accordance with "Early application of impairment accounting for fixed assets, the change of forecasts for fiscal year ended March 2004 and cash dividends" which was announced by ITOCHU on April 2, 2004.

(*2) The figures in parentheses in the lower in the total column of "Gross trading profit" and "Net income (loss)" have described the actual amounts that exclude the special losses of above (*1) from the results of fiscal 2004, and increase / decrease amount between fiscal 2004 and 2005 as reference.

Information concerning operations in different geographical areas for the year ended March 31, 2005 and 2004 was as follows:

	2005						Yen (millions)
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Total trading transactions:							
Unaffiliated customers and associated companies.....	7,143,536	476,596	187,602	1,553,869	214,436	-	9,576,039
Transfers between geographical areas	1,481,634	193,128	40,643	1,596,815	303,341	(3,615,561)	-
Total trading transactions	<u>8,625,170</u>	<u>669,724</u>	<u>228,245</u>	<u>3,150,684</u>	<u>517,777</u>	<u>(3,615,561)</u>	<u>9,576,039</u>
Identifiable assets at March 31	<u>3,836,513</u>	<u>295,259</u>	<u>160,720</u>	<u>225,125</u>	<u>285,225</u>	<u>(330,497)</u>	<u>4,472,345</u>

	2004						Yen (millions)
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Total trading transactions:							
Unaffiliated customers and associated companies.....	7,523,783	381,107	167,225	1,273,337	171,515	-	9,516,967
Transfers between geographical areas	1,081,327	189,351	30,686	1,272,877	385,288	(2,959,529)	-
Total trading transactions	<u>8,605,110</u>	<u>570,458</u>	<u>197,911</u>	<u>2,546,214</u>	<u>556,803</u>	<u>(2,959,529)</u>	<u>9,516,967</u>
Identifiable assets at March 31.....	<u>3,969,166</u>	<u>276,303</u>	<u>159,018</u>	<u>202,567</u>	<u>232,028</u>	<u>(351,800)</u>	<u>4,487,282</u>

	2005						U.S.dollars (millions)
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Total trading transactions:							
Unaffiliated customers and associated companies.....	66,520	4,438	1,747	14,469	1,997	-	89,171
Transfers between geographical areas	13,797	1,798	379	14,869	2,825	(33,668)	-
Total trading transactions	<u>80,317</u>	<u>6,236</u>	<u>2,126</u>	<u>29,338</u>	<u>4,822</u>	<u>(33,668)</u>	<u>89,171</u>
Identifiable assets at March 31.....	<u>35,725</u>	<u>2,749</u>	<u>1,497</u>	<u>2,096</u>	<u>2,656</u>	<u>(3,077)</u>	<u>41,646</u>

Note :

1. The above information is prepared in accordance with Japanese reporting practices.
2. "Total trading transactions" is presented in accordance with Japanese accounting practice.
Total trading transactions consist of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.
3. The above information presents total trading transactions and identifiable assets by each geographical segment that is based on the nearest region where ITOCHU Corporation and its subsidiaries are located.

[Explanation for Geographical Segment Information]

Trading transactions

(Unit : billion yen)	2005	2004	Increase (Decrease)	Reasons for changes
Japan	7,143.5	7,523.8	(380.2)	Decrease due to a reduction in low-efficient transactions, despite increase in sales in energy and chemicals due to rising market prices, and increase in transaction volume
North America	476.6	381.1	95.5	Increase in building materials-related business and energy-related business
Europe	187.6	167.2	20.4	Increase in sales in food-related business
Asia	1,553.9	1,273.3	280.5	Increase in sales in energy due to rising crude oil prices, and increase in transaction volume
Other Areas	214.4	171.5	42.9	Increase due to rising prices of coal and iron ore, and increase in transaction volume
Eliminations or Unallocated	-	-	-	
Total	9,576.0	9,517.0	59.1	

Identifiable assets

(Unit : billion yen)	2005	2004	Increase (Decrease)	Reasons for changes
Japan	3,836.5	3,969.2	(132.7)	Decrease in cash and cash equivalents
North America	295.3	276.3	19.0	Increase in trade receivables and inventories due to increase in sales
Europe	160.7	159.0	1.7	
Asia	225.1	202.6	22.6	Increase in trade receivables in energy sector due to rising crude oil prices and increasing overseas trades
Other Areas	285.2	232.0	53.2	Increase in energy, metal and minerals related assets
Eliminations or Unallocated	(330.5)	(351.8)	21.3	
Total	4,472.3	4,487.3	(14.9)	

Fair Value of Financial Instruments

ITOCHU Corporation and Subsidiaries

March 31, 2005 and March 31, 2004

Securities

ITOCHU Corporation and its subsidiaries have adopted Statement of Financial Accounting Standards No.115 "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115). Thus the securities classified as available-for-sale securities are reported at fair value on the balance sheets.

The cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of those available-for-sale securities as of March 31, 2005 and March 31, 2004 were as follows:

		2005							
		Cost		Gross Unrealized Holding Gains		Gross Unrealized Holding Losses		Fair Value	
		Yen	U.S.dollars	Yen	U.S.dollars	Yen	U.S.dollars	Yen	U.S.dollars
		(millions)	(millions)	(millions)	(millions)	(millions)	(millions)	(millions)	(millions)
Available-for-sale:									
Current:	Equity securities	-	-	-	-	-	-	-	-
	Debt securities	12,642	118	1	0	1	0	12,642	118
		12,642	118	1	0	1	0	12,642	118
Non-current:	Equity securities	102,243	952	75,687	705	1,988	19	175,942	1,638
	Debt securities	2,065	19	-	-	172	1	1,893	18
		104,308	971	75,687	705	2,160	20	177,835	1,656
		2004							
		Cost		Gross Unrealized Holding Gains		Gross Unrealized Holding Losses		Fair Value	
		Yen		Yen		Yen		Yen	
		(millions)		(millions)		(millions)		(millions)	
Available-for-sale:									
Current:	Equity securities	-		-		-		-	
	Debt securities	8,626		1		1		8,626	
		8,626		1		1		8,626	
Non-current:	Equity securities	97,462		70,177		158		167,481	
	Debt securities	3,590		42		181		3,451	
		101,052		70,219		339		170,932	

Retirement and Severance Benefits

-Unaudited-

The Company and certain subsidiaries have funded retirement pension plans covering substantially all of their employees.

Benefits under these pension plans are based on length of service and certain other factors and plan assets are comprised primarily of listed stock, bonds and other interest-bearing securities.

The Company and certain other subsidiaries have unfunded retirement and severance plans providing lump-sum payment benefits to their employees. Changes in the benefit obligations and the fair value of the plan assets for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Millions of
	2005	2004	U.S. dollars
Change in benefit obligations:			2005
Projected benefit obligations at beginning of year	¥266,697	¥336,246	\$2,483
Service cost	6,965	9,511	65
Interest cost	5,934	7,596	55
Plan participants' contributions	997	1,025	9
Unrecognized prior service cost arising from changes in pension plans	—	(25,782)	—
Actuarial loss	(4,612)	(9,715)	(43)
Benefits paid	(10,330)	(13,232)	(96)
Foreign currency translation adjustments	57	173	1
Other	5,967	(39,125)	56
Projected benefit obligation at end of year	271,675	266,697	2,530
Change in plan assets:			
Fair value of plan assets at beginning of year	339,031	308,102	3,157
Actual return on plan assets	(4,773)	74,243	(44)
Employer contributions	17,025	18,045	159
Plan participants' contributions	997	1,025	9
Benefits paid	(10,330)	(13,232)	(96)
Foreign currency translation adjustments	(20)	(68)	—
Other	(12,676)	(49,084)	(118)
Fair value of plan assets at end of year	329,254	339,031	3,067
Projected benefit obligations in excess of plan assets	(57,579)	(72,334)	(537)
Unrecognized actuarial loss	(147,127)	(141,110)	(1,370)
Unrecognized prior service cost arising from changes in pension plans	45,071	49,967	420
Net amount recognized	(159,635)	(163,477)	(1,487)
Adjustments to recognize minimum pension liability:			
Accumulated other comprehensive loss, gross of tax	3,150	1,246	30
Net amount recognized in the consolidated balance sheets	(156,485)	(162,231)	(1,457)
Prepaid pension cost	(178,890)	(183,743)	(1,666)
Accrued pension and severance cost recognized in the consolidated balance sheets	22,405	21,512	209
Actuarial present value of accumulated benefit obligations at end of year	¥270,622	¥264,644	\$2,520
Weighted-averaged actuarial assumptions:			
Discount rate	2.41%	2.40%	
Expected long-term rate of return on plan assets	2.27%	3.50%	

The net cost of retirement and severance benefits for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of
	2005	2004	U.S. dollars
Service cost-benefits earned during the year	¥6,965	¥9,511	\$ 65
Interest cost on projected benefit obligation	5,934	7,596	55
Expected return on plan assets	(7,011)	(7,178)	(65)
Net amortization	2,322	19,392	22
Settlement and curtailment loss	1,138	22,767	11
Net periodic pension cost	¥9,348	¥52,088	\$ 88
The amount of cost for defined benefit pension plans	¥1,053	¥373	10
Subsidy from government on the transfer of the substitutional portion of the Employees' Pension Fund	—	(19,606)	—
Total expenses for pension plans	¥10,401	¥32,855	\$ 98

Forward Looking Statements

Statements in this financial reports with respect to ITOCHU's plans, strategies, forecasts and other statements that are not historical facts and forward-looking statements that are based on management's assumptions and beliefs based on information currently available and involve risks and uncertainties. Factors that could cause actual results to differ materially from such statements include, without limitation, global economic conditions, demand for and competitive pricing pressure on products and services, ITOCHU's ability to continue to win acceptance for its products and services in highly competitive markets, and currency exchange rate fluctuations.