

## SEMI-ANNUAL FINANCIAL STATEMENTS

For six months ended September 30, 2004 and 2003

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## Consolidated Financial Results for the Six Months Ended September 30, 2004

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

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### 1. Operations for the six months ended September 30, 2004 (from April 1, 2004 to September 30, 2004)

#### (1) Consolidated operating results

	Total trading transactions		Trading income		Income(loss) before income taxes, minority interests and equity in earnings of associated companies	
	millions of yen	increase/decrease(%)	millions of yen	increase/decrease(%)	millions of yen	increase/decrease(%)
For the six months ended September 30, 2004	4,603,147	(1.5)	76,075	88.1	69,644	174.1
September 30, 2003	4,675,462	(7.9)	40,448	(12.8)	25,411	(36.2)
For the year ended March 31, 2004	9,516,967		79,216		(92,046)	

	Net income (loss)		Net income per share (basic)	Net income per share (diluted)
	millions of yen	increase/decrease(%)	yen	yen
For the six months ended September 30, 2004	44,135	130.3	27.89	-
September 30, 2003	19,161	(13.8)	12.12	-
For the year ended March 31, 2004	(31,944)		(20.20)	-

Note: 1. Equity in earnings of associated companies :

(For the six months ended Sept.30, 2004) 17,658 million yen, (For the six months ended Sept.30, 2003) 15,696 million yen

(For the year ended Mar.31, 2004) 25,051million yen

2. Weighted-average number of common shares outstanding :

(For the six months ended Sept.30, 2004) 1,582,221,660 shares, (For the six months ended Sept.30, 2003) 1,581,313,572 shares

(For the year ended Mar.31, 2004) 1,581,431,830 shares

3. Change of accounting policies : No

4. Percentage figures are changes from the same period of the previous fiscal year.

5. "Total trading transactions" and "Trading income" are 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.

· Trading income = Gross trading profit + Selling, general and administrative expenses + Provision for doubtful receivables

6. 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
September 30, 2004	4,441,361	470,500	10.6	297.38
September 30, 2003	4,423,307	471,770	10.7	298.35
March 31, 2004	4,487,282	422,866	9.4	267.25

Note: Number of common shares outstanding :

(Sept.30, 2004) 1,582,143,550 shares, (Sept.30, 2003) 1,581,255,631 shares

(Mar.31, 2004) 1,582,306,839 shares

#### (3) Consolidated cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of periods/year
	millions of yen	millions of yen	millions of yen	millions of yen
For the six months ended September 30,2004	(16,476)	(37,251)	(153,614)	373,102
September 30,2003	42,515	(23,764)	(65,043)	487,373
For the year ended March 31,2004	184,780	(55,300)	(79,695)	579,565

#### (4) Number of Consolidated subsidiaries and associated companies

Consolidated subsidiaries : 459 Associated companies : 202

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

Consolidated subsidiaries : (increase) 17, (decrease) 10 Associated companies : (increase) 16, (decrease) 7

### 2. Forecasts of consolidated operating results for the year ending March 31, 2005 (from April 1, 2004 to March 31, 2005)

	Total trading transactions	Net income
	millions of yen	millions of yen
Year ending March 31,2005	9,600,000	75,000

Note: 1. Forecasted net income per share for the year ending March 31, 2005 : 47.40 yen

2. "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.

## Financial Highlights

ITOCHU Corporation and Subsidiaries

	Yen (millions) (Unless otherwise specified)		Increase (Decrease)%	U.S. dollars (millions) (Unless otherwise specified)		Yen (Millions) (Unless otherwise specified)	
	FY 2005	FY 2004		FY 2005	FY 2004		
	1st half	1st half		1st half	Full year		
<b>P/L (For the 1st half / year):</b>							
Total trading transactions.....	4,603,147	4,675,462	(1.6) %	41,451		9,516,967	
Gross trading profit.....	303,768	274,478	9.6	2,735		555,895	
Gross trading profit ratio (%).....	6.60	5.87				5.84	
Net income (loss).....	44,135	19,161	56.6	397		(31,944)	
Adjusted profit*.....	91,100	54,374	40.3	820		100,676	
<b>B/S (End of period / year):</b>							
		(Mar.31,2004)					
Total assets.....	4,441,361	4,487,282	(1.0)	39,994		4,487,282	
Stockholders' equity.....	470,500	422,866	10.1	4,237		422,866	
Net interest-bearing debts*.....	1,964,480	1,977,048	(0.6)	17,690		1,977,048	
<b>Per share (Yen and U.S.Dollars):</b>							
Net income (loss).....	27.9	12.1	56.5	0.3		(20.2)	
Stockholders' equity.....	297.4	298.4	(0.3)	2.7		267.3	
<b>Ratios:</b>							
ROA (%).....	1.0	0.4				-	
Ratio of adjusted profit to total assets (%).....	2.0	1.2				2.2	
ROE (%).....	9.9	4.3				-	
Ratio of stockholders' equity to total assets (%)	10.6	10.7				9.4	
Net debt-to-equity ratio (net DER) (Times).....	4.2	4.2				4.7	
Interest coverage* (Times).....	5.2	2.8				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.
- ROA, ROE, and Return of adjusted profit to total assets of FY2005 1st half are calculated by using figure of 1st half respectively.

\*Adjusted profits = 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, cash equivalents + time deposits)

\*Interest coverage

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

\*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

### For the completion of the A&P strategy

ITOCHU Corporation has set a course to construct a sound base for the “high jump” for fiscal 2006 onwards, regarding the current fiscal year, the final year of our 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. The key measures taken during this first half year are as follows;

- Regarding the Consumer and Retail Related area, ITOCHU has promoted businesses mainly in Asia, centered on China. In Textile field, ITOCHU started the manufacturing business of cast carpet for automobiles in China and also accelerated the marketing of fashion brands such as *renoma* in Asia including China. In Foods, together with Ting Hsin International Group, the largest food business group in China, ITOCHU set up Tingyi-Asahi-Itochu Beverages Holding Co., Ltd. Also, ITOCHU’s joint venture with Asahi Breweries, Ltd. started the production of beers in state-of-the-art factory in the suburb of Beijing. In addition, ITOCHU promoted the development of convenience-store-chain, *FamilyMart* in Shanghai in cooperation with FamilyMart Co., Ltd.
- In Information and Multimedia area, ITOCHU set up a new company to develop contents business using copyrights of cartoons produced by Mr. Shotaro Ishinomori, which was the first collaborative business between *Sogo-Shosha* and copyright holders of cartoons in Japan.
- In Natural Resource Development area, ITOCHU signed long-term LNG Sales and Purchase Agreement with QALHAT LNG S.A.O.C. in Oman and also set up a joint venture with OMAN SHIPPING COMPANY S.A.O.C. and Mitsui OSK Lines, Ltd. to own and operate new LNG vessels to transport LNG to purchasers.
- In Financial Services area, our associated company, Famima Credit Corporation started the marketing of new members of “Famima Card.”

While for the strengthening of the financial position, we further improved the B/S structure by considering its necessity according to the early application of impairment accounting for fixed assets under Japan GAAP in the last fiscal year. In the current fiscal year, as well, ITOCHU has increased the stockholders’ equity realized by the maximization of profit and continuously promoted the control of the interest-bearing debts by thorough risk management. Thus, the NET DER as of the first half end of fiscal 2005 was improved to 4.2 times, a 0.5 point decrease from 4.7 times of the last

fiscal year end.

### **Task to be dealt with (Management Policy for the Future)**

To complete the A&P strategy within the current fiscal year, the final year of its mid-term management plan “Super A&P-2004,” ITOCHU has implemented the following four initiatives;

- 1) ITOCHU will continuously focus on the “Consumer and Retail Related sector” and “Asia especially China”, by aggressively allocating management resources to six business domains and two geographical areas including the Information and Multimedia; Natural Resource Development; Financial Services; and North America; and other new A&P segments from fiscal 2005 of Chemicals, Forest Products & General Merchandise; and Automobile. At the same time, ITOCHU will further promote new businesses including the development of the innovative technologies such as biotechnology and nanotechnology.
- 2) ITOCHU will continue the reallocation and upgrade of assets to reinforce its profitability and the thorough control of the interest-bearing debts, to strengthen the financial structure by improving such financial ratios as DER by improving asset efficiency.
- 3) ITOCHU will continuously reinforce its corporate governance with high transparency and its risk management system to form the solid management system.
- 4) ITOCHU will continue the efforts to establish more flexible personnel strategy by securing and activating its human resources; and promote the appointment of the right person for the right job, in order to make use of various human resources to support the A&P strategy.

By implementing the above-mentioned strategies, we will make an effort at forming a corporate group with the consolidated net income of 100 billion yen, and contributing to regional and global societies including active approaches to global environmental issues.

### **Dividends policy**

ITOCHU ’s basic policy regarding the dividend payments is a consistent and stable distribution of returns to the stockholders, while maintaining and strengthening our 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.

### **"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 System**

- ITOCHU 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 (five corporate auditors, including two outside auditors) strictly monitors business operations of directors and executive officers, paying special attention to close cooperation with the internal audit section and collaboration with the auditors of group companies.
- ITOCHU has introduced executive officer position and currently there are 33 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

- With setting up internal corporate rules and defining office regulations and responsibilities, ITOCHU has established systems to keep adequate business executions and accurate finance reports, for example, putting suitable checking and monitoring functions into business process.
- Also regarding the compliance, ITOCHU takes various measures to make the employees fully understand "ITOCHU Corporation Code of Conducts", and the Business Ethics and Compliance Committee headed by the CCO (Chief Compliance Officer), appoints compliance leaders in each Division Company, branch office, administrative division and group company, and prepares compliance programs, makes hotline to provide internal information etc, enhances the corporate compliance structure.
- Concerning adequacy and efficiency of these internal control systems, the internal audit division, independent of the business operations, audits the adequacy and efficiency of the business operations.

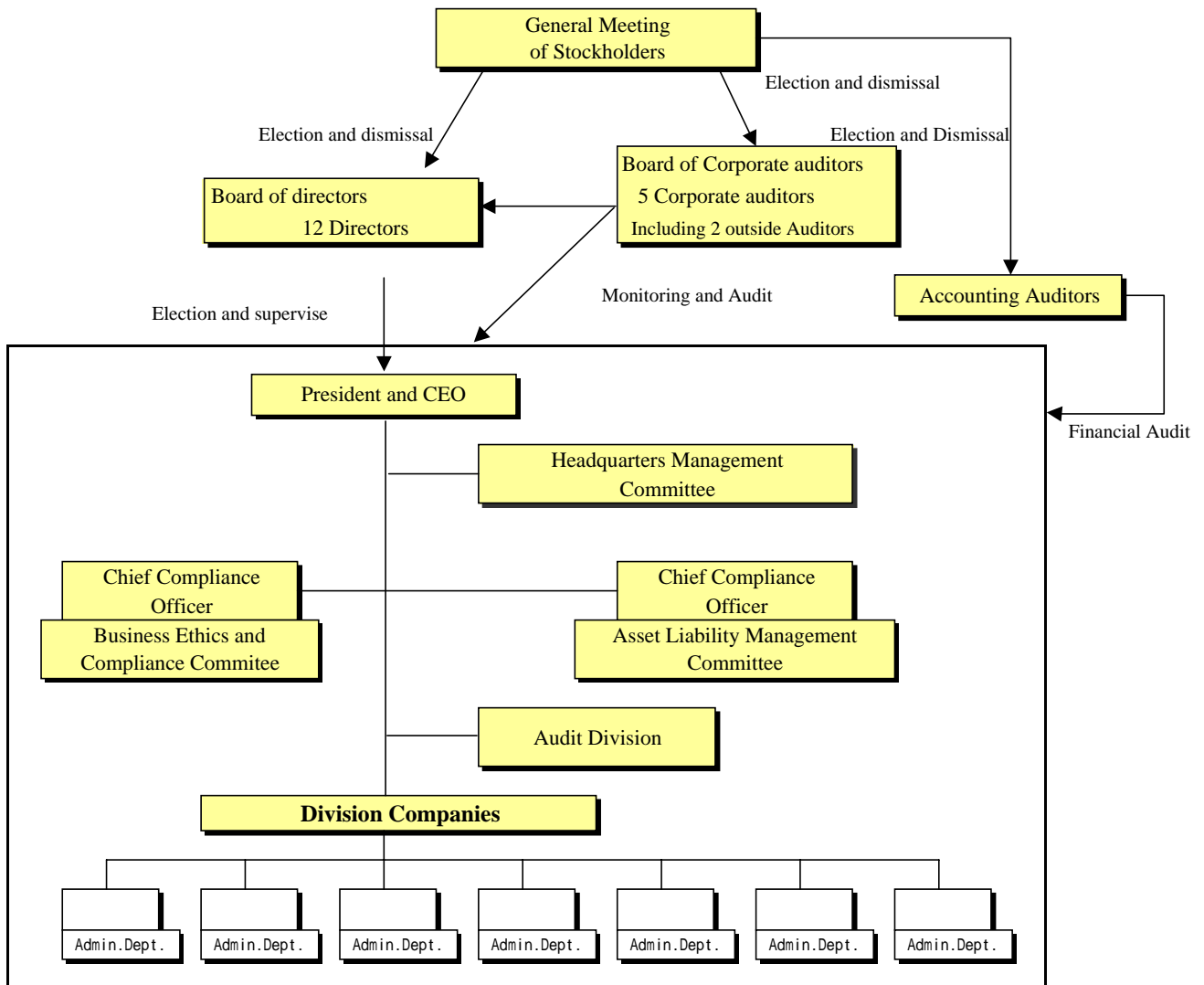
## 3) State of risk management system

- 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 self-management in which each Division Company manages the risks associated with individual projects and has continued to develop sophisticated risk management methods.  
ITOCHU has established the ALM (Asset Liability Management) Committee managed by CFO (Chief Financial Officer), the ALM Committee plays a central role in managing the balance sheets of the Company and proposing improvements, and in analyzing the risk management across the Company and proposing various risk management methods and improvements.
- Specifically, it manages risk exposure for each individual product and service by setting internal covenants for major balance sheet items and 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.

$$\begin{aligned}\text{Risk Assets} &= \text{Maximum potential loss from possession of assets} \\ &= (\text{Asset book value} \times \text{Risk weight for each asset})\end{aligned}$$

$$\text{Risk Return Index} = \text{Net income} / \text{Risk assets}$$

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



## Outlook for Fiscal 2005

In the last half of fiscal 2005, the Japanese economy is expected to expand steadily based on increasing capital expenditure and consumer spending.

Meanwhile, the economic outlook for the U.S. and China should be carefully watched since their monetary policies tend to be tightened under the current oil price hike.

In addition, sufficient attention should be paid to the future economic environment due to the current seesawing Nikkei average at around 11,000 Japanese yen and higher yen than the first half-year end.

Under these circumstances, ITOCHU is expecting consolidated total trading transactions of 9.6 trillion yen for the fiscal year ending March 2005, with a consolidated net income of 75.0 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 could cause actual results to differ materially from such statements include, without limitation, global economic and market conditions, and currency exchange rate fluctuations.

### Fiscal 2005 consolidated forecasts (April 2004 – March 2005)

	Full year	Changes from the previous fiscal year
Total trading transactions	9.6 trillion yen	0.9%
Net income	75 billion yen	-

(Note)	Fiscal 2005 Forecasts	The First-Half Results
Exchange rate (Yen/US\$)	107.00	109.80
Crude oil price (US\$/BBL)	37.00	36.80

(Brent crude oil)

### Distribution of the current fiscal year's profit

ITOCHU plans to make a six to seven yen dividend payment per share for fiscal year ending March 2005. As ITOCHU didn't hold enough non-consolidated retained earnings available for interim dividend distribution at the end of the last fiscal year, ITOCHU regrettably passes the interim dividends payment for this first half year end.

## Fiscal 2005 consolidated forecasts, ending March 31, 2005

	Results	Forecasts	Forecasts on May 11, 2004		Results	
	2005 1st half	2005 Full year	2005 1st half	2005 Full year	2004 1st half	2004 Full year
Total trading transactions	4.6 trillion yen	9.6 trillion yen	4.4 trillion yen	9.2 trillion yen	4.7 trillion yen	9.5 trillion yen
Gross trading profit	303.8 billion yen	620.0 billion yen	290.0 billion yen	600.0 billion yen	274.5 billion yen	555.9 billion yen
Selling, general and administrative expenses	( 225.9)	( 458.0)	( 229.0)	( 458.0)	( 229.1)	( 466.1)
Provision for doubtful receivables	( 1.8)	( 12.0)	( 6.0)	( 12.0)	( 4.9)	( 10.6)
Net interest expenses	( 11.3)	( 26.0)	( 13.0)	( 27.0)	( 12.2)	( 24.7)
Dividends received	6.8	10.0	6.0	10.0	5.5	10.5
Other-net	( 2.0)	( 4.0)	0.0	( 3.0)	( 8.4)	( 157.0)
Income (loss) before income taxes, minority interests and equity in earnings of associated companies	69.6	130.0	48.0	110.0	25.4	( 92.0)
Income taxes	( 38.5)	( 72.0)	( 24.0)	( 55.0)	( 16.6)	45.5
Income (loss) before minority interests and equity in earnings of associated companies	31.1	58.0	24.0	55.0	8.8	( 46.6)
Minority interests	( 4.6)	( 13.0)	( 5.0)	( 12.0)	( 5.3)	( 10.4)
Equity in earnings of associated companies	17.7	30.0	13.0	28.0	15.7	25.1
Net income (loss)	44.1	75.0	32.0	71.0	19.2	( 31.9)

Total assets	4,441.4 billion yen	4,600.0 billion yen	4,600.0 billion yen	4,423.3 billion yen	4,487.3 billion yen
Gross interest-bearing debts	2,345.4	2,550.0	2,550.0	2,493.1	2,561.9
Net interest-bearing debts	1,964.5	2,100.0	2,100.0	1,996.7	1,977.0
Total stockholders' equity	470.5	500.0	490.0	471.8	422.9

Note: "Total trading transactions" is presented in a manner customarily used in Japan solely for Japanese investors' purposes.

### (Forecasts on May 2004)

Note:	FY 2005 1st half	FY 2005 Full year	FY 2005 Full year	FY 2004 1st half	FY 2004 Full year
	Results	Forecasts	Forecasts	Results	Results
Exchange rate (Yen/US\$)	109.80	107.00	110.00	118.48	113.78
Crude oil price (US\$/BBL)	36.80	37.00	25.00	27.95	28.90

(Brent crude oil)

# Summary of Operations

## General Conditions

During this first half of fiscal 2005, ending March 2005, the Japanese economy has shown a steady recovery backed by a consumer spending turnaround stimulated by a gradual pickup of individual income, as well as by an increase in export for Asia and Europe, and in capital expenditure.

Meanwhile, concerns regarding negative effects of oil price surge and uncertainties over the U.S. economic outlook had an impact on stock prices and interest rates; Nikkei average, which has once risen over 12,000 yen level, ended up hovering at around 11,000 yen level and 10-year Japanese governmental bond's interest, which has hiked over 1.9% in June supported by Japan's economic recovery, returned by the first half-year end to the same level as the beginning of the fiscal year, which was above 1.4% level. Regarding foreign exchange, yen remained flat against U.S. dollars at around 110 yen / U.S. dollars, being yen-buying pressure bolstered by widened current account imbalance between Japan and the U.S. offset by yen-selling pressure against tightened trend of the U.S. monetary policy.

Overseas economy, as a whole, maintained its relatively high growth trend pulled by good U.S. economic conditions affected by the tax reduction and a pickup in employment, and by China's high economic growth led by increasing capital expenditure. Under such circumstances, oil price has kept rising supported by the China-driven demand increase and the turmoil in oil producing countries until it has almost reached 50 U.S. dollars level / barrel in WTI at the first half-year end.

## Operating Results

**Total trading transactions** for the six months ended September 30, 2004 decreased by 1.5% or 72.3 billion yen to 4,603.1 billion yen (41,451 million U.S. dollars) from the same period of the last fiscal year. Although total trading transactions increased in Energy, Metals & Minerals segment due to rising prices of coal, iron ore, crude oil and oil products, and an increase in transaction volume; and in Chemicals, and Forest Products & General Merchandise segment due to continuing high market prices of chemical materials and products, and a steady growth in building materials-related transactions in North America and Japan, low-efficient transactions were reduced in segments such as Machinery and Food. In addition, effect of the higher yen also pushed total trading transactions down on a period-to-period basis. **Revenue** based on U.S. GAAP increased by 7.6% or 63.7 billion yen to 906.9 billion yen (8,166 million U.S. dollars) because of an increase in resource-related transactions due to high market prices.

**Gross trading profit** increased by 10.7% or 29.3 billion yen to 303.8 billion yen (2,735 million U.S. dollars), Gross trading profit increased in all trading segments, primarily in Textile segment because of the acquisition of new brand business and an increase in brand-related transaction; in Machinery segment due to increase in sales volume of motor vehicles in North America and Europe and a steady growth in a construction machinery business in North America; in Energy, Metals & Minerals segment due to rising prices of coal, iron ore, crude oil, and oil products and the increase in transaction; in Chemicals, and Forest Products & General Merchandise segment due to continuing high market prices of chemical materials and products, and the steady growth in building materials-related transactions in North America and Japan.

**Selling, general and administrative expenses**, with a decrease in periodic pension costs despite an increase accompanied by the expansion of business, was down 1.4% or 3.2 billion yen to 225.9

billion yen (2,034 million U.S. dollars).

**Net interest expenses** improved by 7.3% or 0.9 billion yen in period-to-period comparison, following the continuous reduction of interest-bearing debts and a decline in U.S. interest rates.

With an increase in dividends received from the LNG-related investments, **Net financial expenses** improved by 33.3% or 2.2 billion yen to 4.5 billion yen (40 million U.S. dollars) compared with the same period of the last fiscal year. Concerning the other profits and losses, **Loss on disposal of investments and marketable securities, net of write-down, and Gain (loss) on property and equipment-net** improved by 0.7 billion yen and 1.7 billion yen, respectively. Meanwhile, **Other-net** improved by 4.0 billion yen due to an increase in foreign exchange profits at period-end with a weaker yen than at the end of the last fiscal year.

As a result, **Income before Income taxes, minority interests and equity in earnings of associated companies** increased by 174.1% or 44.2 billion yen to 69.6 billion yen (627 million U.S. dollars) from the same period of the last fiscal year.

**Equity in earnings of associated companies** increased by 12.5% or 2.0 billion yen to 17.7 billion yen (159 million U.S. dollars) due to higher performances of steel products-related affiliate etc.

**Net income** for the period stood at 44.1 billion yen (397 million U.S. dollars), increased by 130.3% or 25.0 billion yen from the same period of the last fiscal year.

### **Financial Conditions**

**Total assets** as of September 30, 2004 decreased by 1.0% or 45.9 billion yen from March 31, 2004, to 4,441.4 billion yen (39,994 million U.S. dollars) due to a continuous collection of receivables, and a decrease in cash and cash equivalents appropriated for refund to interest-bearing debts, despite rising prices of marketable commodities represented by crude oil, and new and additional investments.

Stockholders' equity increased by 11.3% or 47.6 billion yen from March 31, 2004, to 470.5 billion yen (4,237 million U.S. dollars) due to an improvement in foreign currency translation adjustments and unrealized holding gains on securities, in addition to an increase in retained earnings realized by the net profit for this first half. As a result, stockholders' equity ratio improved by 1.2 point from March 31, 2004, to 10.6%

Net interest-bearing debts (interest-bearing debts after deducting cash, cash equivalents and time deposit) decreased by 0.6% or 12.6 billion yen from March 31, 2004, to 1,964.5 billion yen (17,690 million U.S. dollars), which still keeps below 2,000.0 billion yen level.

As a result, net DER (Debt-to-Equity Ratio) improved by 0.5 point from March 31, 2004, to 4.2 times.

Cash flows from operating activities recorded net cash-outflow of 16.5 billion yen (148 million U.S. dollars), which was mainly generated by an increase in trade receivables and inventories. Net cash used in investing activities was 37.3 billion yen (335 million U.S. dollars) as a result of new and additional investments in Food segment etc. A further reduction of interest-bearing debts led to 153.6 billion yen (1,383 million U.S. dollars) of net cash-outflow in financing activities.

As a result, the current balance of cash and cash equivalents as of September 30, 2004 decreased by 206.5 billion yen to 373.1 billion yen (3,360 million U.S. dollars) from March 31, 2004.

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 111.05 yen = 1 U.S. dollars, the exchange rate prevailing on September 30, 2004.

## Performance of Group Companies (1)

For the six months ended September 30, 2004 and 2003

### Components of Consolidated Net Income

(Unit:billion yen)	Apr-Sep 2004	Apr-Sep 2003	Increase (Decrease)
Parent company	20.1	3.6	16.5
Overseas trading subsidiaries	7.6	2.1	5.5
Group companies excluding overseas trading subsidiaries	35.2	26.9	8.3
Subtotal	62.9	32.6	30.3
Consolidation adjustments	(18.8)	(13.5)	(5.3)
Consolidated net income	44.1	19.2	25.0
Adjusted profit	91.1	54.4	36.7

(Note) Adjusted profit = Gross trading profit + SG&A expenses  
+ Net financial expenses + Equity in earnings of associated companies

### Number of Group Companies

	September 30, 2004			March 31, 2004			Increase	Decrease	Changes within Group	Net changes	
	Domestic	Overseas	Total	Domestic	Overseas	Total					
Subsidiaries	225	234	459	223	229	452	+17	(10)	0	0	+7
Associated companies	94	108	202	91	102	193	+16	(7)	0	0	+9
Total	319	342	661	314	331	645	+33	(17)			+16

### Number of Direct Controlled Companies

	September 30, 2004			March 31, 2004			Increase	Decrease	Changes within Group	Net changes	
	Domestic	Overseas	Total	Domestic	Overseas	Total					
Subsidiaries	147	143	290	143	145	288	+5	(3)	0	0	+2
Associated companies	66	80	146	61	74	135	+14	(3)	0	0	+11
Total	213	223	436	204	219	423	+19	(6)			+13

(Note) 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.

### Profits/Losses of Group Companies Reporting Profits/Losses

	Apr-Sep 2004			Apr-Sep 2003			Increase (Decrease)		
	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
	Group companies excluding overseas trading subsidiaries	44.6	(9.4)	35.2	34.7	(7.8)	26.9	9.9	(1.6)
Overseas trading subsidiaries	7.8	(0.2)	7.6	2.6	(0.5)	2.1	5.2	0.3	5.5
Total	52.4	(9.6)	42.8	37.3	(8.3)	29.0	15.1	(1.3)	13.8

### Number/Share of Group Companies Reporting Profits

		Apr-Sep 2004			Apr-Sep 2003			Increase (Decrease)		
		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Subsidiaries	Domestic	168	57	225	176	53	229	(8)	4	(4)
	Overseas	186	48	234	179	59	238	7	(11)	(4)
	Total	354	105	459	355	112	467	(1)	(7)	(8)
Associated companies	Share (%)	77.1%	22.9%	100.0%	76.0%	24.0%	100.0%			
	Domestic	66	28	94	76	20	96	(10)	8	(2)
	Overseas	78	30	108	71	22	93	7	8	15
Total	Total	144	58	202	147	42	189	(3)	16	13
	Share (%)	71.3%	28.7%	100.0%	77.8%	22.2%	100.0%			
	Domestic	234	85	319	252	73	325	(18)	12	(6)
Total	Overseas	264	78	342	250	81	331	14	(3)	11
	Total	498	163	661	502	154	656	(4)	9	5
	Share (%)	75.3%	24.7%	100.0%	76.5%	23.5%	100.0%			

### Profits/Losses of Group Companies Reporting Profits/Losses

		Apr-Sep 2004			Apr-Sep 2003			Increase (Decrease)		
		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
		Subsidiaries	Domestic	13.9	(2.9)	11.0	12.8	(3.1)	9.7	1.1
Subsidiaries	Overseas (*)	17.3	(3.1)	14.2	5.9	(2.3)	3.6	11.4	(0.8)	10.6
	Total	31.2	(6.0)	25.2	18.7	(5.4)	13.3	12.5	(0.6)	11.8
Associated companies	Domestic	15.7	(1.9)	13.8	12.6	(1.5)	11.1	3.1	(0.4)	2.7
	Overseas	5.5	(1.7)	3.9	6.0	(1.4)	4.6	(0.5)	(0.3)	(0.7)
	Total	21.3	(3.6)	17.7	18.6	(2.9)	15.7	2.7	(0.7)	2.0
Total	Domestic	29.6	(4.8)	24.8	25.4	(4.6)	20.8	4.2	(0.2)	4.0
	Overseas	22.8	(4.8)	18.0	11.9	(3.7)	8.2	10.9	(1.1)	9.8
	Total	52.4	(9.6)	42.8	37.3	(8.3)	29.0	15.1	(1.3)	13.8

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

	Apr-Sep 2004			Apr-Sep 2003			Increase (Decrease)		
	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Overseas trading subsidiaries	7.8	(0.2)	7.6	2.6	(0.5)	2.1	5.2	0.3	5.5

### Major New Group Companies

Segments	Name	(Shares)	(Categories)
Aerospace, Electronics & Multimedia	ISHIMORI ENTERTAINMENT INC.	(49.00%)	Character business
Chemical	SANJIHONSOUBOU MEDICAL&PHARMACEUTICAL CO.,LTD.	(23.12%)	Sale of medicines and health food products
Logistics	TING TONG (CAYMAN ISLANDS) HOLDING CORPORATION	(50.00%)	Domestic logistics services in China

## Performance of Group Companies (2)

For the six months ended September 30, 2004 and 2003

### Major Group Companies

(Unit: billion yen)

	Name	Shares	Net income (*1)		Categories	Fiscal 2005 Forecasts
			Apr-Sep 2004	Apr-Sep 2003		
Textile	BALLY JAPAN LTD.	80.00%	0.0	0.0	Sale of BALLY brand products	(0.1)
	Prominent Apparel Ltd. (Hong Kong)	100.00%	0.3	0.1	Production control and wholesale of textile and apparel	0.3
	Leilian Co., Ltd.	25.88%	0.1	0.2	Retail of ladies' apparel	0.2
Machinery	ITOCHU Sanki Corporation	100.00%	0.1	0.1	Wholesale of equipment and system of industrial machinery	0.3
	Century Medical, Inc.	100.00%	0.1	0.0	Wholesale of medical equipment and materials	0.2
	MCL Group Ltd. (U.K.)	100.00%	0.1	0.1	Retail of motor vehicles/Warehouse/Retail finance	0.3
	ITOCHU Automobile America, Inc. (U.S.A.)	100.00%	0.5	0.2	Retail of motor vehicles/Warehouse/trading	0.9
	Century Leasing System, Inc.	20.13%	0.4	0.9	Lease of machinery and equipment	(*3)
Aerospace, Electronics & Multimedia	ITOCHU TECHNO-SCIENCE Corporation	47.50%	1.6	1.2	Consultation, System integration, Services of computer networks and equipment	(*3)
	CRC Solutions Corp.	40.29%	0.4	0.2	Software development, outsourcing and consulting services	(*3)
	SPACE SHOWER NETWORKS INC.	51.81%	0.1	0.0	Music channel on cable/satellite television	(*3)
	JAMCO Corporation	20.60%	0.0	0.0	Maintenance of aircraft and manufacture of aircraft interior	(*3)
Energy, Metals & Minerals	Suncall Corporation	21.05%	0.2	0.2	Manufacture and wholesale of precision measuring equipment	(*3)
	ITOCHU Non-Ferrous Materials Co., Ltd.	100.00%	0.4	0.1	Wholesale of non-ferrous metals and products	0.7
	ITOCHU Petroleum Japan Ltd.	100.00%	0.6	1.2	Charter and operation of oil tankers, sales of bunker fuel oil	0.8
	ITOCHU Minerals & Energy of Australia Pty Ltd (*7) (Australia)	100.00%	5.3	2.4	Investment for exploitation of minerals and energy resources	13.0
	Marubeni-Itochu Steel Inc.	50.00%	5.0	1.7	Wholesale of steel products	7.5
Chemicals, Forest Products & General Merchandise	ITOCHU ENEX CO., LTD.	39.97%	0.4	0.4	Wholesale of petroleum products	(*3)
	ITOCHU Kenzai Corp.	85.84%	0.9	0.4	Wholesale of wood products and building materials	1.3
	ITOCHU Pulp & Paper Corp.	100.00%	0.2	0.2	Wholesale of paper, paperboards, and various paper materials	0.7
	ITOCHU CHEMICAL FRONTIER Corporation	99.90%	0.6	0.5	Wholesale of fine chemicals and related raw materials	0.9
	ITOCHU PLASTICS INC.	100.00%	0.8	0.8	Development and wholesale of plastics and related products	1.7
	TAKIRON Co., Ltd.	27.18%	(*2)	0.1	Manufacture of flat and corrugated plastic sheets	(*3)
	C.I. KASEI Co., Ltd.	36.66%	(*2)	0.0	Manufacture of PVC pipe and film and related materials	(*3)
Food	ITOCHU SHOKUHIN Co., Ltd.	44.83%	(*2)	0.5	Wholesale and distribution of foods	(*3)
	Nishino Trading Co., Ltd.	75.73%	0.3	0.5	Wholesale of foods and sundries	0.9
	Japan Foods Co., Ltd.	22.73%	0.2	0.1	Production of soft drinks	(*3)
	Fuji Oil Co., Ltd.	19.38%	(*2)	0.2	Integrated manufacturer of cooking oil and soybean protein	(*3)
	FamilyMart Co., Ltd.	30.60%	2.7	2.4	Operation of a convenience store chain, using the name "FamilyMart" and a franchise system	(*3)
	Prima Meat Packers, Ltd.	39.69%	(*2)	0.7	Manufacture/sale of meat and processed meat products	(*3)
Finance, Realty, Insurance & Logistics Services	ITOCHU Finance Corporation (*4)	88.14%	0.9	2.3	Loan and other finance-related business	2.0
	CENTURY 21 REAL ESTATE OF JAPAN LTD.	55.28%	0.1	0.1	Headquarters of real estate franchise system	(*3)
	i-LOGISTICS CORP.	61.77%	0.1	0.2	Comprehensive logistics services	(*3)
	kabu.com Securities Co., Ltd. (*4)	28.92%	0.5	0.2	Online stock brokerage	(*5)
Overseas	ITOCHU International Inc. (*8) (U.S.A.)	100.00%	4.4	0.9	U.S. subsidiary	8.0
	ITOCHU Europe PLC. (U.K.)	100.00%	(0.2)	(0.1)	European subsidiary	0.3
	ITOCHU Hong Kong Ltd. (Hong Kong)	100.00%	0.8	0.6	Hong Kong subsidiary	1.4
	ITOCHU(China)Holding Co., Ltd. (China)	100.00%	0.4	0.3	China subsidiary	1.0
	ITOCHU Australia Ltd. (Australia)	100.00%	0.4	0.1	Australian subsidiary	0.6

(\*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, please refer to the results announced by each company.

(\*3) For listed companies, each companies' forecasts of fiscal 2005 are as the following list.

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

(\*5) The forecast of fiscal 2005 is not announced by the company.

Name	Companies' Forecasts	Date of Forecasts	Shares	ITOCHU'S share of Forecasts	(Expected) Date of announcement
Century Leasing System, Inc.	5.7	Oct.29	20.13%	1.1	Oct.29
ITOCHU TECHNO-SCIENCE Corporation	10.0	Nov.1	47.50%	4.8	Nov.1
CRC Solutions Corp.	2.2	Nov.1	40.29%	0.9	Nov.1
SPACE SHOWER NETWORKS INC.	0.2	Nov.8	51.81%	0.1	Nov.8
JAMCO Corporation	0.3	Nov.4	20.60%	0.1	Nov.4
Suncall Corporation	1.4	Nov.2	21.05%	0.3	Nov.2
ITOCHU ENEX CO., LTD.	4.0	Nov.8	39.97%	1.6	Nov.8
TAKIRON Co., Ltd.	1.6	May.18	27.18%	0.4	Nov.17
C.I. KASEI Co., Ltd.	0.9	May.20	36.66%	0.3	Nov.18
ITOCHU SHOKUHIN Co., Ltd.	(Note)		44.83%	(Note)	Nov.15
Japan Foods Co., Ltd.	0.9	Oct.28	22.73%	0.2	Oct.28
Fuji Oil Co., Ltd.	6.5	Aug.5	19.38%	1.3	Nov.11
FamilyMart Co., Ltd.	14.6	Oct.13	30.60%	4.5	Oct.13
Prima Meat Packers, Ltd.	2.9	Aug.2	39.69%	1.2	Nov.22
CENTURY 21 REAL ESTATE OF JAPAN LTD.	0.4	Nov.5	55.28%	0.2	Nov.5
i-LOGISTICS CORP.	0.5	Nov.5	61.77%	0.3	Nov.5

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

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

### Performance of Group Companies (3)

For the six months ended September 30, 2004 and 2003

#### Major Group Companies Reporting Profits

(Unit: billion yen)

Name	Segment (*6)	Shares	Net income (*1)		Reasons for changes
			Apr-Sep 2004	Apr-Sep 2003	
[Domestic subsidiaries]					
ITOCHU TECHNO-SCIENCE Corporation	Aer	47.50%	1.6	1.2	Increase in ITOCHU's shares by additional investment
ITC NETWORKS CORPORATION	Aer	100.00%	1.4	1.2	Favorable sales of mobile phone
ITOCHU Finance Corporation	(*4) Fin	88.14%	0.9	2.3	Recorded gain on negative goodwill in the same period of the last fiscal year due to a new equity-method associated company, POCKET CARD CO., LTD.
ITOCHU Kenzai Corp.	Che	85.84%	0.9	0.4	Increase due to steady markets of building and plywood
ITOCHU PLASTICS INC.	Che	100.00%	0.8	0.8	Steady growths in plastics and related products for electronic materials
ITOCHU CHEMICAL FRONTIER Corporation	Che	99.90%	0.6	0.5	Increase due to the higher market prices
ITOCHU Petroleum Japan Ltd.	Ene	100.00%	0.6	1.2	Still steady but reactionary decrease in energy operations
ITOCHU Non-Ferrous Materials Co., Ltd.	Ene	100.00%	0.4	0.1	Increase due to business transferred from ITOCHU Corporation
CRC Solutions Corp.	Aer	40.29%	0.4	0.2	Steady growths in the field of information-processing service
CONVERSE JAPAN CO., LTD.	Tex	100.00%	0.3	0.3	Continue steady performance
[Overseas subsidiaries]					
ITOCHU Minerals & Energy of Australia Pty Ltd	(*7)(Australia) Ene	100.00%	5.3	2.4	Rising prices of coal and iron ore and increase in sales volume
ITOCHU International Inc.	(*8) (U.S.A.) Ove	100.00%	4.4	0.9	Steady growths in field of building materials and construction machinery
Prime Source Building Products Inc.	(*8) (U.S.A.) Che	100.00%	3.1	1.3	Increase in building materials-related business in North America
ITOCHU Oil Exploration (Azerbaijan) Inc.	(*9)(Cayman) Ene	100.00%	1.1	1.5	Effect of yen's appreciation
ITOCHU Hong Kong Ltd.	(Hong Kong) Ove	100.00%	0.8	0.6	Steady growth in profit of consumer credit-related company
ITOCHU Automobile America, Inc.	(U.S.A.) Mac	100.00%	0.5	0.2	Increase due to new equity-method associated company
ITOCHU (Thailand) Ltd.	(Thailand) Ove	100.00%	0.5	0.4	Steady growth in field of chemicals and increase in profit of food subsidiaries
ITOCHU Singapore Pte, Ltd.	(Singapore) Ove	100.00%	0.5	0.0	Steady growth in field of chemicals, forest products & general merchandise
CIPA Lumber Co., Ltd.	(Canada) Che	100.00%	0.4	0.1	Increase in building materials-related business in North America
ITOCHU(China)Holding Co., Ltd.	(China) Ove	100.00%	0.4	0.3	Steady growth in field of mineral resources and chemicals
ITOCHU Australia Ltd.	(Australia) Ove	100.00%	0.4	0.1	Increase in profit of mineral and energy resource-related subsidiary
[Domestic associated companies]					
Marubeni-Itochu Steel Inc.	Ene	50.00%	5.0	1.7	Steady growths in North America and increase in dealing volume of steel pipe etc
FamilyMart Co., Ltd.	Fod	30.60%	2.7	2.4	Steady growth in beverage by hot summer and effect of newly-opened shops
Japan Brazil Paper & Pulp Resources	Che	25.94%	1.7	0.5	Increase due to rising pulp price and effect of changes in exchange rate
JAPAN OHANET OIL & GAS CO., LTD	(*9) Ene	35.00%	0.6	0.0	Increase due to starting of oil production from this fiscal year
kabu.com Securities Co., Ltd.	(*4) Fin	28.92%	0.5	0.2	Improvement of stock market and expansion of market share
Century Leasing System, Inc.	Mac	20.13%	0.4	0.9	Decrease in profit by decreasing ITOCHU's shares
[Overseas associated companies]					
Mazda Canada Inc.	(Canada) Mac	40.00%	0.7	0.3	Favorable sales of new model of motor vehicle (MAZDA3)

#### Major Group Companies Reporting Losses

(Unit: billion yen)

Name	Segment (*6)	Shares	Net income (*1)		Reasons for changes
			Apr-Sep 2004	Apr-Sep 2003	
[Domestic subsidiaries]					
ITOCHU Property Development, Ltd.	Fin	99.83%	(0.7)	0.1	Less delivery of condominium
ITOCHU Housing Co., Ltd.	Fin	100.00%	(0.2)	0.0	Less delivery of condominium
[Overseas subsidiaries]					
Airlease-related companies	(U.S.A./Netherlands) Aer	100.00%	(0.5)	(0.1)	Impairment losses for aircraft assets
ITOCHU Europe PLC.	(U.K.) Ove	100.00%	(0.2)	(0.1)	Low performances in affiliated companies
[Domestic associated companies]					
Yoshinoya D&C Co., Ltd.	Fod	23.46%	(0.3)	0.9	Decrease in profit due to the prohibition of importing American beef
[Overseas associated companies]					
P.T. PURADELTA LESTARI P.T. PEMBANGUNAN DELTAMAS	(Indonesia) Fin	25.00%	(1.1)	(0.3)	Effect of changes in Indonesian rupiah

(\*6) 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  
 Oth : Others

(\*7) CI Minerals Australia Pty., Ltd. (CIMA) changed its name to ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA).  
 IMEA affiliates ITOCHU Coal Resources Australia Pty., Ltd. (ICRA), Japan Alumina Associates (Australia) Pty., Ltd. (JAAL) and CIECO Exploration and Production (Australia) Pty. Ltd. IMEA's Apr-Sep 2003 net income presents the total of CIMA, ICRA and JAAL.  
 (\*8) The net income of ITOCHU International Inc. includes 80% of that of Prime Source Building Products Inc.  
 (\*9) 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 same period of the last fiscal year.

## Consolidated Balance Sheets (Assets)

ITOCHU Corporation and Subsidiaries

September 30, 2004 and March 31, 2004

Assets	Y e n		U.S. dollars
	(millions)		(millions)
	Sep. 2004	Mar. 2004	Sep. 2004
<b>Current assets:</b>			
Cash and cash equivalents.....	373,102	579,565	3,360
Time deposits.....	7,798	5,297	70
Marketable securities.....	39,941	42,302	360
Trade receivables :			
Notes.....	152,468	130,562	1,373
Accounts.....	982,988	948,795	8,852
Allowance for doubtful receivables.....	(20,171)	(21,937)	(182)
Net trade receivables.....	1,115,285	1,057,420	10,043
Due from associated companies.....	88,643	83,709	798
Inventories .....	445,302	374,171	4,010
Advances to suppliers.....	84,424	46,739	760
Deferred tax assets.....	36,269	36,279	327
Other current assets.....	216,658	237,697	1,951
Total current assets .....	2,407,422	2,463,179	21,679
<b>Investments and non-current receivables:</b>			
Investments in and advances to			
associated companies.....	514,550	481,451	4,634
Other investments.....	389,928	386,522	3,511
Other non-current receivables.....	356,247	382,872	3,208
Allowance for doubtful receivables.....	(169,890)	(174,662)	(1,530)
Net investments and non-current receivables .....	1,090,835	1,076,183	9,823
<b>Property and equipment, at cost:</b>			
Land.....	156,701	158,584	1,411
Buildings.....	318,642	317,596	2,869
Machinery and equipment.....	279,297	260,272	2,515
Furniture and fixtures.....	60,181	53,528	542
Mining rights.....	26,602	26,486	240
Construction in progress.....	6,926	7,875	62
Total property and equipment, at cost.....	848,349	824,341	7,639
Less accumulated depreciation.....	334,700	317,270	3,014
Net property and equipment .....	513,649	507,071	4,625
<b>Deferred tax assets, non-current.....</b>	<b>118,382</b>	<b>129,101</b>	<b>1,066</b>
<b>Other assets.....</b>	<b>311,073</b>	<b>311,748</b>	<b>2,801</b>
<b>Total .....</b>	<b>4,441,361</b>	<b>4,487,282</b>	<b>39,994</b>

Note :

- Consolidated balance sheets have been prepared in conformity with accounting principles generally accepted in the United States of America.
- From the first half of fiscal 2005, ended September 30, 2004, "Mining rights", which was previously included in "Other assets", is separately stated in "Property and equipment, at cost" in accordance with Emerging Issues Task Force (EITF) No.04-02. Accordingly, consolidated balance sheets as of March 31, 2004 were restated.

## Consolidated Balance Sheets (Liabilities and Stockholders' Equity)

ITOCHU Corporation and Subsidiaries

September 30, 2004 and March 31, 2004

Liabilities and Stockholders' Equity	Y e n (millions)		U.S. dollars (millions)
	Sep. 2004	Mar. 2004	Sep. 2004
<b>Current liabilities:</b>			
Short-term debt .....	434,722	549,809	3,915
Current installments of long-term debt.....	432,320	335,444	3,893
Trade payables :			
Notes and acceptances.....	164,420	154,902	1,481
Accounts.....	824,687	754,147	7,426
Total trade payables.....	989,107	909,049	8,907
Due to associated companies.....	43,597	42,941	392
Income taxes payable.....	19,452	18,275	175
Advances from customers.....	97,086	53,467	874
Other current liabilities.....	245,740	236,162	2,213
Total current liabilities .....	2,262,024	2,145,147	20,369
<b>Long-term debt, excluding current installments.....</b>	<b>1,560,254</b>	<b>1,757,313</b>	<b>14,050</b>
<b>Accrued retirement and severance benefits.....</b>	<b>23,312</b>	<b>21,512</b>	<b>210</b>
<b>Deferred tax liabilities, non-current.....</b>	<b>12,033</b>	<b>13,261</b>	<b>108</b>
<b>Minority interests.....</b>	<b>113,238</b>	<b>127,183</b>	<b>1,020</b>
<b>Stockholders' equity:</b>			
Common stock :			
Authorized 3,000,000,000 shares ;			
Issued:			
1,584,889,504 shares.....	202,241	202,241	1,821
Capital surplus .....	136,917	136,915	1,233
Retained earnings :			
Legal reserve .....	3,975	3,450	36
Other retained earnings .....	150,568	106,958	1,356
Accumulated other comprehensive income (loss).....	(22,419)	(25,982)	(202)
Treasury stock, at cost.....	(782)	(716)	(7)
Total stockholders' equity .....	470,500	422,866	4,237
<b>Total .....</b>	<b>4,441,361</b>	<b>4,487,282</b>	<b>39,994</b>

The components of accumulated other comprehensive income (loss) were as follows:

	Y e n (millions)		U.S. dollars (millions)
	Sep. 2004	Mar. 2004	Sep. 2004
Foreign currency translation adjustments.....	(63,941)	(67,767)	(576)
Minimum pension liability adjustments.....	(2,108)	(634)	(19)
Unrealized holding gains on securities.....	47,404	45,653	427
Unrealized holding losses on derivative instruments.....	(3,774)	(3,234)	(34)

[Explanation for Consolidated Balance Sheets]

Total Assets

Assets

	(Unit: billion yen)				
	Sep 2004	Mar 2004	Increase (Decrease)		Reasons for changes
Cash and cash equivalents, time deposits	380.9	584.9	(204.0)	...	Repayment of interest-bearing debts etc.
Net trade receivables	1,115.3	1,057.4	57.9	...	Mainly increase in Energy; Chemicals, Forest Products & General Merchandise and Food etc.
Inventories	445.3	374.2	71.1	...	Mainly increase in Textile; Aerospace, Electronics & Multimedia and Energy etc.
Advances to suppliers	84.4	46.7	37.7	...	Mainly increase in Machinery and Aerospace, Electronics & Multimedia etc.
Other current assets	216.7	237.7	(21.0)	...	Collection of short-term loans receivables in subsidiaries etc.
Investments in and advances to associated companies	514.6	481.5	33.1	...	Mainly increase in Food 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)				
	Sep 2004	Mar 2004	Increase (Decrease)		Reasons for changes
Trade payables	989.1	909.0	80.1	...	Mainly increase in Energy; Chemicals, Forest Products & General Merchandise and Food etc.
Advances from customers	97.1	53.5	43.6	...	Mainly increase in Machinery and Aerospace, Electronics & Multimedia etc.
[Interest-bearing debts]					
Short-term loans payable	434.7	549.8	(115.1)		
Current installments of long-term loans payable	363.8	279.0	84.8		
Current installments of debentures	68.6	56.5	12.1		
Short-term total	867.0	885.3	(18.2)		
Long-term loans payable	1,265.1	1,414.8	(149.7)		
Debentures	201.1	247.3	(46.1)		
Long-term total	1,466.2	1,662.0	(195.8)		
Total interest-bearing debts	2,333.3	2,547.3	(214.0)		
SFAS 133 fair value adjustment	12.1	14.7	(2.5)		
Adjusted total interest-bearing debts	2,345.4	2,561.9	(216.5)		
Cash, cash equivalents and time deposits	380.9	584.9	(204.0)		
Net interest-bearing debts	1,964.5	1,977.0	(12.6)		
Net debt-to-equity ratio (times)	4.2	4.7	(0.5)		

Stockholders' equity

	(Unit: billion yen)				
	Sep 2004	Mar 2004	Increase (Decrease)		Reasons for changes
Common stock	202.2	202.2	-		
Capital surplus	136.9	136.9	0.0		
Legal reserve	4.0	3.5	0.5		
Other retained earnings	150.6	107.0	43.6	...	Net income +44.1 etc.
Accumulated other comprehensive income (loss)	(22.4)	(26.0)	3.6		
Foreign currency translation adjustments	(63.9)	(67.8)	3.8	...	Effect of yen's depreciation etc.
Minimum pension liability adjustments	(2.1)	(0.6)	(1.5)		
Unrealized holding gains on securities	47.4	45.7	1.8		
Unrealized holding losses on derivative instruments	(3.8)	(3.2)	(0.5)		
Treasury stock, at cost	(0.8)	(0.7)	(0.1)		
Stockholders' equity ratio	10.6%	9.4%	1.2%		

Current exchange rate Yen/US\$	[For March closing companies]			[For December closing companies]		
	Sep 2004	Mar 2004	Changes	Jun 2004	Dec 2003	Changes
	111.05	105.69	+5.36	108.43	107.13	+1.30
	Sep 2003	Mar 2003	Changes	Jun 2003	Dec 2002	Changes
	111.25	120.20	(8.95)	119.80	119.90	(0.10)



[Explanation for Consolidated Statements of Income]

	(Unit : billion yen)	Apr-Sep 2004	Apr-Sep 2003	Increase (Decrease)	Reasons for changes
<b>Revenue</b>					
Revenue		906.9	843.2	63.7	Increase in resource-related transactions due to high market prices
<b>Gross trading profit</b>					
Gross trading profit		303.8	274.5	29.3	Refer to page 27 "Segment Information" Increase due to strong performance in ITOCHU and existing subsidiaries : Approximately +28.4 Effect of joining to subsidiaries : Approximately +6.8 Effect of leaving from subsidiaries : Approximately -2.1 Effect of yen's appreciation against U.S. dollar : Approximately -3.8
<b>Selling, general and administrative expenses</b>					
Personnel expenses (including pension costs)		(101.1)	(108.4)	7.3	Total effects of SG&A expenses Increase accompanied by expansion of business in existing subsidiaries : Approximately -7.1 Effect of joining to subsidiaries : Approximately -6.2 Effect of leaving from subsidiaries : Approximately +2.3 Effect of yen's appreciation against U.S. dollar : Approximately +2.4 Improvement in pension costs +11.8
Service charge, distribution costs		(51.1)	(47.0)	(4.1)	
Rent, depreciation and amortization		(27.8)	(28.5)	0.7	
Travel expenses		(9.6)	(8.9)	(0.7)	
Others		(36.3)	(36.3)	0.0	
Other expenses		(124.8)	(120.7)	(4.0)	
Total		(225.9)	(229.1)	3.2	
<b>Provision for doubtful receivables</b>					
Provision for doubtful receivables		(1.8)	(4.9)	3.1	Decrease in provision for doubtful receivables in subsidiaries
<b>Net financial expenses</b>					
Net financial expenses		(4.5)	(6.7)	2.2	
Interest income		5.6	6.5	(1.0)	
Interest expense		(16.9)	(18.7)	1.8	
Net interest expenses		(11.3)	(12.2)	0.9	Reduction of interest-bearing debts etc.
Dividends received		6.8	5.5	1.3	Dividends received from LNG-related investments +0.7(2.7 3.3) Mizuho Financial Group +0.3(0.0 0.3) etc.
<b>Loss on disposal of investments and marketable securities, net of write-down</b>					
Loss on disposal of investments etc.		(3.2)	(3.9)	0.7	Apr-Sep 2004 Gains on sales of securities +1.4, Devaluation losses for securities -2.8, Losses for liquidation of businesses -1.8 Apr-Sep 2003 Gains on sales of securities +8.0, Devaluation losses for securities -6.1, Losses for liquidation of businesses -4.2 etc.
<b>Gain(loss) on property and equipment-net</b>					
Gain(loss) on property and equipment-net		0.2	(1.5)	1.7	Apr-Sep 2003 Impairment losses for long-lived assets -2.0 etc.
<b>Other-net</b>					
Other-net		1.1	(3.0)	4.0	Improvement of foreign exchange gains and losses due to yen's depreciation against U.S. dollar from the end of the last fiscal year etc.  [Current exchange rate Yen/US\$] 2004: Sep 30 111.05, March 31 105.69, Changes +5.36 2003: 111.25, 120.20, (8.95)
<b>Minority interests</b>					
Minority interests		(4.6)	(5.3)	0.7	
<b>Equity in earnings of associated companies</b>					
Equity in earnings of associated companies		17.7	15.7	2.0	Marubeni-Itochu Steel Inc. +3.3 Refer to page 14-15 "Performance of Group Companies"
<b>Total trading transactions</b>					
Total trading transactions		4,603.1	4,675.5	(72.3)	Refer to page 27 "Segment Information"
Gross trading profit ratio		6.60%	5.87%	0.73%	(Note) Effect of yen's appreciation against U.S. dollar : Approximately -168.0
<b>Adjusted profit</b>					
Adjusted profit		91.1	54.4	36.7	Adjusted profit*(+36.7)= Gross trading profit (+29.3) + SG&A expenses(+3.2) + Net financial expenses(+2.2) + Equity in earnings of associated companies(+2.0) (* The amount ( ) presents changes from the same period of the last fiscal year

[Average exchange rate Yen/US\$]

	Apr-Sep 2004	Apr-Sep 2003	Changes
[For March closing companies]	109.80	118.48	(8.68)
	Apr-Sep 2003	Apr-Sep 2002	Changes
	118.48	124.48	(6.00)

	Jan-Jun 2004	Jan-Jun 2003	Changes
[For December closing companies]	108.43	119.35	(10.92)
	Jan-Jun 2003	Jan-Jun 2002	Changes
	119.35	130.12	(10.77)

## Consolidated Statements of Stockholders' Equity

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 2004 and the year ended March 31, 2004

	Yen (millions)		U.S. dollars (millions)
	Apr-Sep 2004	Apr 2003- Mar 2004	Apr-Sep 2004
<b>Common stock:</b>			
Balance at beginning of period.....	202,241	202,241	1,821
Balance at end of period .....	<u>202,241</u>	<u>202,241</u>	<u>1,821</u>
<b>Capital surplus:</b>			
Balance at beginning of period .....	136,915	136,842	1,233
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 .....	2	14	-
Balance at end of period.....	<u>136,917</u>	<u>136,915</u>	<u>1,233</u>
<b>Retained earnings:</b>			
Legal reserve:			
Balance at beginning of period .....	3,450	3,212	31
Transfer from other retained earnings .....	528	301	5
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies .....	(3)	(63)	-
Balance at end of period .....	<u>3,975</u>	<u>3,450</u>	<u>36</u>
Other retained earnings:			
Balance at beginning of period .....	106,958	143,014	964
Net income (loss) .....	44,135	(31,944)	397
Cash dividends.....	-	(3,956)	-
Transfer to legal reserve .....	(528)	(301)	(5)
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies .....	3	145	-
Balance at end of period .....	<u>150,568</u>	<u>106,958</u>	<u>1,356</u>
<b>Accumulated other comprehensive income (loss):</b>			
Balance at beginning of period.....	(25,982)	(58,408)	(234)
Other comprehensive income.....	3,563	32,426	32
Balance at end of period .....	<u>(22,419)</u>	<u>(25,982)</u>	<u>(202)</u>
<b>Treasury stock:</b>			
Balance at beginning of period.....	(716)	(681)	(6)
Net changes in treasury stock .....	(66)	(35)	(1)
Balance at end of period .....	<u>(782)</u>	<u>(716)</u>	<u>(7)</u>
<b>Total.....</b>	<u><b>470,500</b></u>	<u>422,866</u>	<u><b>4,237</b></u>
<b>Comprehensive income:</b>			
Net income (loss).....	44,135	(31,944)	397
Other comprehensive income.....	3,563	32,426	32
<b>Total.....</b>	<u><b>47,698</b></u>	<u>482</u>	<u><b>429</b></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>Sep 2004</u>	<u>Mar 2004</u>	<u>In/Decrease</u>
Current balance :		(63.9)	(67.8)	+3.8
		<u>Jun 2004</u>	<u>Dec 2003</u>	<u>Changes</u>
Current rate :	Yen/US\$ Dec	108.43	107.13	+1.30
		<u>Sep 2004</u>	<u>Mar 2004</u>	<u>Changes</u>
	Yen/US\$ Mar	111.05	105.69	+5.36

Reason for changes : Yen's depreciation against U.S. dollars etc.

#### 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>Sep 2004</u>	<u>Mar 2004</u>	<u>In/Decrease</u>
Current balance :		(2.1)	(0.6)	(1.5)

The balances of September 2004 and March 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 mainly due to an increase in plan assets.

#### 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>Sep 2004</u>	<u>Mar 2004</u>	<u>In/Decrease</u>
Current balance :		47.4	45.7	+1.8

#### 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>Sep 2004</u>	<u>Mar 2004</u>	<u>In/Decrease</u>
Current balance :		(3.8)	(3.2)	(0.5)

## Consolidated Statements of Cash Flows (Condensed)

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 2004 and 2003

	Y e n (millions)		U.S. dollars (millions)
	2004	2003	2004
<b>Cash flows from operating activities :</b>			
Net income.....	44,135	19,161	397
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization .....	20,229	16,563	182
Provision for doubtful receivables .....	1,824	4,913	16
Loss on disposal of investments and marketable securities, net of write-down...	3,210	3,881	29
Gain (loss) on property and equipment-net .....	(174)	1,505	(2)
Equity in earnings of associated companies, less dividends received .....	(14,678)	(12,794)	(131)
Deferred income taxes .....	11,578	2,293	104
Minority interests .....	4,636	5,314	42
Changes in assets and liabilities, other-net .....	(87,236)	1,679	(785)
Net cash provided by (used in) operating activities .....	<u>(16,476)</u>	<u>42,515</u>	<u>(148)</u>
<b>Cash flows from investing activities :</b>			
Net purchases of property, equipment and other assets.....	(19,974)	(19,714)	(180)
Net increase in investments in and advances to associated companies .....	(5,819)	(13,984)	(52)
Net purchases of other investments .....	(27,823)	(773)	(251)
Net collections of other non-current receivables .....	14,833	3,508	134
Net decrease (increase) in time deposits.....	(2,436)	6,295	(22)
Net decrease in marketable securities.....	3,968	904	36
Net cash used in investing activities .....	<u>(37,251)</u>	<u>(23,764)</u>	<u>(335)</u>
<b>Cash flows from financing activities :</b>			
Net repayments of long-term debt .....	(111,248)	(39,234)	(1,002)
Net decrease in short-term debt .....	(41,232)	(20,498)	(371)
Other .....	(1,134)	(5,311)	(10)
Net cash used in financing activities .....	<u>(153,614)</u>	<u>(65,043)</u>	<u>(1,383)</u>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>878</b>	<b>(491)</b>	<b>7</b>
<b>Net increase in cash and cash equivalents .....</b>	<b>(206,463)</b>	<b>(46,783)</b>	<b>(1,859)</b>
<b>Cash and cash equivalents at beginning of period .....</b>	<b>579,565</b>	<b>534,156</b>	<b>5,219</b>
<b>Cash and cash equivalents at end of period .....</b>	<b><u>373,102</u></b>	<b><u>487,373</u></b>	<b><u>3,360</u></b>

[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>Apr-Sep 2004</u>	<u>Apr-Sep 2003</u>	<u>In/Decrease</u>	<u>Reasons for changes</u>
Net income	44.1	19.2	25.0	Changes in net income +25.0
*Non-cash charges of P/L	26.6	21.7	5.0	Deferred income taxes +9.3 Provision for doubtful receivables -3.1 etc.
Changes in assets and liabilities, other-net	(87.2)	1.7	(88.9)	Trade receivables / payables -56.2, Inventories -47.8 etc.
Net cash provided by (used in) operating activities	(16.5)	42.5	(59.0)	

\* 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>Apr-Sep 2004</u>	<u>Apr-Sep 2003</u>	<u>In/Decrease</u>	
Net purchases of property, equipment and other assets	(20.0) a	(19.7) b	(0.3)	a : Food subsidiaries -4.9 etc. b : Airlease subsidiaries -4.7, Mineral resources subsidiaries -2.5 etc.
Net increase in investments in and advances to associated companies	(5.8) a	(14.0) b	8.2	a : Additional investment in Nippon Access -2.8 etc. b : Investment in POCKET CARD -5.2, and Prima Meat Packers -5.0 etc.
Net purchases of other investments	(27.8) a	(0.8)	(27.1)	a : Additional investment in information-related subsidiaries -9.8 etc.
Net collection of other non-current receivables	14.8 a	3.5 b	11.3	a : Parent +15.1 etc. b : Shipping subsidiaries +6.9, Financing subsidiaries -3.7 etc.
Net decrease(increase) in time deposits	(2.4)	6.3 b	(8.7)	b : Decrease in time deposits of parent +10.9 etc.
Net decrease in marketable securities	4.0 a	0.9 b	3.1	a : Financing subsidiaries +0.8 etc. b : Financing subsidiaries +1.2 etc.

**Cash flows from financing activities**

(Unit:billion yen)

	<u>Apr-Sep 2004</u>	<u>Apr-Sep 2003</u>	<u>In/Decrease</u>	
Net repayments of long-term debt	(111.2) a	(39.2) b	(72.0)	a : Parent -113.7 etc. b : Parent -43.3 etc.
				(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.
Net decrease in short-term debt	(41.2) a	(20.5) b	(20.7)	a : Parent -29.4, Financing subsidiaries -8.0 etc. b : Parent -11.1, ITOCHU International Inc.-11.6 etc.
				(Note) Changes in current installments of long-term debt are included in "Net proceeds from (repayments of ) long-term debt" on the statements of cash flows.
Other	(1.1) a	(5.3) b	4.2	a : Dividends paid to minority shareholders -1.6 etc. b : Dividends paid -4.0, Dividends paid to minority shareholders -1.6 etc.

## Total Trading Transactions and Gross Trading Profit

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 2004 and 2003

	Yen (millions)		U.S.dollars (millions)	
	2004	2003	2004	2003
<b>Total Trading Transactions:</b>				
		%		%
Textile	404,563	8.8	397,006	8.5
Machinery	569,128	12.4	658,034	14.1
Aerospace, Electronics & Multimedia	286,563	6.2	290,850	6.2
Energy, Metals & Minerals	1,150,379	25.0	1,043,311	22.3
Chemicals, Forest Products & General Merchandise	893,369	19.4	832,882	17.8
Food	1,087,321	23.6	1,246,493	26.7
Finance, Realty, Insurance & Logistics Services, & Other	211,824	4.6	206,886	4.4
<b>Total</b>	<b>4,603,147</b>	<b>100.0</b>	<b>4,675,462</b>	<b>100.0</b>
		%		%
<b>Gross Trading Profit:</b>				
Textile	54,627	18.0	47,026	17.1
Machinery	28,710	9.4	23,358	8.5
Aerospace, Electronics & Multimedia	50,101	16.5	49,237	18.0
Energy, Metals & Minerals	19,190	6.3	12,820	4.7
Chemicals, Forest Products & General Merchandise	50,462	16.6	44,007	16.0
Food	68,604	22.6	67,241	24.5
Finance, Realty, Insurance & Logistics Services, & Other	32,074	10.6	30,789	11.2
<b>Total</b>	<b>303,768</b>	<b>100.0</b>	<b>274,478</b>	<b>100.0</b>

## [Explanation for Total Trading Transactions and Gross Trading Profit ]

### Total trading transactions by products

(Unit:billion yen)

	<u>Apr-Sep 2004</u>		<u>Apr-Sep 2003</u>		<u>In/Decrease</u>	
	Amounts	(Components)	Amounts	(Components)	Amounts	(Changes ratio)
Energy, Metals & Minerals	1,150.4	( 25.0 %)	1,043.3	( 22.3 %)	+ 107.1	( + 10.3 %)
Metals and Minerals	185.0	( 4.0 %)	147.1	( 3.1 %)	+ 37.9	( + 25.8 %)
Energy	965.3	( 21.0 %)	896.2	( 19.2 %)	+ 69.1	( + 7.7 %)
Chemicals, Forest Products & General Merchandise	893.4	( 19.4 %)	832.9	( 17.8 %)	+ 60.5	( + 7.3 %)
Forest Products & General Merchandise	413.8	( 9.0 %)	407.5	( 8.7 %)	+ 6.3	( + 1.5 %)
Chemicals	479.6	( 10.4 %)	425.4	( 9.1 %)	+ 54.2	( + 12.7 %)
Finance, Realty, Insurance & Logistics Services, & Other	211.8	( 4.6 %)	206.9	( 4.4 %)	+ 4.9	( + 2.4 %)
Realty	49.3	( 1.1 %)	58.6	( 1.2 %)	- 9.3	( - 15.9 %)
Finance, Insurance & Logistics Services, & Other	162.6	( 3.5 %)	148.3	( 3.2 %)	+ 14.3	( + 9.6 %)

(Note)

Yen/US\$ average rate

	[For March closing companies]		[For December closing companies]	
Apr-Sep 2004	109.80	Yen/U.S.\$	108.43	Yen/U.S.\$
Apr-Sep 2003	118.48	Yen/U.S.\$	119.35	Yen/U.S.\$
	8.68 yen's appreciation (7.91%)		10.92 yen's appreciation (10.07%)	

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

Import	-45.0
Export	-24.0
Offshore	-99.0
Total	-168.0 billion yen (approximately)

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

: Approximately 18.0 billion yen per half-year

### Gross trading profit by products

(Unit:billion yen)

	<u>Apr-Sep 2004</u>		<u>Apr-Sep 2003</u>		<u>In/Decrease</u>	
	Amounts	(Components)	Amounts	(Components)	Amounts	(Changes ratio)
Energy, Metals & Minerals	19.2	( 6.3 %)	12.8	( 4.7 %)	+ 6.4	( + 49.7 %)
Metals and Minerals	12.0	( 4.0 %)	7.0	( 2.6 %)	+ 5.0	( + 70.7 %)
Energy	7.2	( 2.4 %)	5.8	( 2.1 %)	+ 1.4	( + 24.0 %)
Chemicals, Forest Products & General Merchandise	50.5	( 16.6 %)	44.0	( 16.0 %)	+ 6.5	( + 14.7 %)
Forest Products & General Merchandise	33.3	( 11.0 %)	28.7	( 10.4 %)	+ 4.6	( + 16.2 %)
Chemicals	17.2	( 5.7 %)	15.3	( 5.6 %)	+ 1.8	( + 11.9 %)
Finance, Realty, Insurance & Logistics Services, & Other	32.1	( 10.6 %)	30.8	( 11.2 %)	+ 1.3	( + 4.2 %)
Realty	8.5	( 2.8 %)	7.4	( 2.7 %)	+ 1.2	( + 15.7 %)
Finance, Insurance & Logistics Services, & Other	23.5	( 7.8 %)	23.4	( 8.5 %)	+ 0.1	( + 0.6 %)

## Segment Information

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 2004 and 2003

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 the six months ended September 30, 2004 and 2003 was as follows:

	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	
Trading transactions:									
External customers.....	404,563	569,128	286,563	1,150,379	893,369	1,087,321	95,000	116,824	4,603,147
Transfers between operating segments ....	532	131	788	395	3,128	127	2,631	(7,732)	-
Total trading transactions .....	<u>405,095</u>	<u>569,259</u>	<u>287,351</u>	<u>1,150,774</u>	<u>896,497</u>	<u>1,087,448</u>	<u>97,631</u>	<u>109,092</u>	<u>4,603,147</u>
Gross trading profit .....	<u>54,627</u>	<u>28,710</u>	<u>50,101</u>	<u>19,190</u>	<u>50,462</u>	<u>68,604</u>	<u>16,592</u>	<u>15,482</u>	<u>303,768</u>
Net income (loss) .....	<u>7,648</u>	<u>5,559</u>	<u>4,338</u>	<u>12,725</u>	<u>13,131</u>	<u>9,153</u>	<u>927</u>	<u>(9,346)</u>	<u>44,135</u>
Identifiable assets at September 30.....	<u>382,171</u>	<u>435,492</u>	<u>486,323</u>	<u>515,490</u>	<u>594,003</u>	<u>757,107</u>	<u>600,696</u>	<u>670,079</u>	<u>4,441,361</u>

	2003								Yen (millions)
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	
Trading transactions:									
External customers.....	397,006	658,034	290,850	1,043,311	832,882	1,246,493	96,573	110,313	4,675,462
Transfers between operating segments ....	844	31	554	394	3,981	119	3,989	(9,912)	-
Total trading transactions .....	<u>397,850</u>	<u>658,065</u>	<u>291,404</u>	<u>1,043,705</u>	<u>836,863</u>	<u>1,246,612</u>	<u>100,562</u>	<u>100,401</u>	<u>4,675,462</u>
Gross trading profit .....	<u>47,026</u>	<u>23,358</u>	<u>49,237</u>	<u>12,820</u>	<u>44,007</u>	<u>67,241</u>	<u>14,478</u>	<u>16,311</u>	<u>274,478</u>
Net income (loss) .....	<u>5,958</u>	<u>2,072</u>	<u>1,913</u>	<u>8,654</u>	<u>5,806</u>	<u>8,517</u>	<u>(1,817)</u>	<u>(11,942)</u>	<u>19,161</u>
Identifiable assets at September 30.....	<u>373,573</u>	<u>446,555</u>	<u>462,059</u>	<u>406,492</u>	<u>538,555</u>	<u>682,272</u>	<u>683,817</u>	<u>829,984</u>	<u>4,423,307</u>
Identifiable assets at March 31, 2004.....	<u>382,696</u>	<u>433,557</u>	<u>464,311</u>	<u>443,726</u>	<u>557,364</u>	<u>711,606</u>	<u>609,733</u>	<u>884,289</u>	<u>4,487,282</u>

	2004								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	
Trading transactions:									
External customers.....	3,643	5,125	2,581	10,359	8,045	9,791	855	1,052	41,451
Transfers between operating segments ....	5	1	7	4	28	1	24	(70)	-
Total trading transactions .....	<u>3,648</u>	<u>5,126</u>	<u>2,588</u>	<u>10,363</u>	<u>8,073</u>	<u>9,792</u>	<u>879</u>	<u>982</u>	<u>41,451</u>
Gross trading profit .....	<u>492</u>	<u>259</u>	<u>451</u>	<u>173</u>	<u>454</u>	<u>618</u>	<u>149</u>	<u>139</u>	<u>2,735</u>
Net income (loss) .....	<u>69</u>	<u>50</u>	<u>39</u>	<u>115</u>	<u>118</u>	<u>82</u>	<u>8</u>	<u>(84)</u>	<u>397</u>
Identifiable assets at September 30.....	<u>3,441</u>	<u>3,922</u>	<u>4,379</u>	<u>4,642</u>	<u>5,349</u>	<u>6,818</u>	<u>5,409</u>	<u>6,034</u>	<u>39,994</u>

Note :

"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]

<u>Trading transactions for external customers</u>	(Unit : billion yen)	Apr-Sep 2004	Apr-Sep 2003	Increase (Decrease)	Reasons for changes
	Textile	...	404.6	397.0	7.6
Machinery	...	569.1	658.0	(88.9)	Decrease due to a reduction in low-efficient transactions
Aerospace, Electronics & Multimedia	...	286.6	290.9	(4.3)	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 cellphone-related business
Energy, Metals & Minerals	...	1,150.4	1,043.3	107.1	Increase due to rising prices of coal, iron ore and crude oil, and increase in transaction volume
Chemicals, Forest Products & General Merchandise	...	893.4	832.9	60.5	Increase due to continuing high market prices of chemicals and increase by steady growth in North American and domestic housing demands
Food	...	1,087.3	1,246.5	(159.2)	Decrease due to a reduction in low-efficient transactions despite rising market prices and increasing transactions in food material sector
Finance, Realty, Insurance & Logistics Services	...	95.0	96.6	(1.6)	Decrease in condominium sales compared to the same period in the previous year despite increase from starting new business in logistics
Others	...	116.8	110.3	6.5	Increase in sales of the equipment materials-related subsidiary in the U.S.
<b>Total</b>		<b>4,603.1</b>	<b>4,675.5</b>	<b>(72.3)</b>	
<u>Gross trading profit</u>	(Unit : billion yen)	Apr-Sep 2004	Apr-Sep 2003	Increase (Decrease)	Reasons for changes
	Textile	...	54.6	47.0	7.6
Machinery	...	28.7	23.4	5.4	Increase in sales of motor vehicles in North America and Europe, and increase in the construction machinery business in North America
Aerospace, Electronics & Multimedia	...	50.1	49.2	0.9	Increase from the aerospace-related business acquisition and the segment change of subsidiaries in addition to steady sales in the cellular phone-related business despite decrease in domestic IT-related business
Energy, Metals & Minerals	...	19.2	12.8	6.4	Increase due to rising prices of coal, iron ore and crude oil, and increase in transaction volume
Chemicals, Forest Products & General Merchandise	...	50.5	44.0	6.5	Increase due to continuing high market prices of chemicals and increase from steady growth in North American and domestic housing demands
Food	...	68.6	67.2	1.4	Increase in transaction volume in food materials and in commercial food distribution subsidiaries
Finance, Realty, Insurance & Logistics Services	...	16.6	14.5	2.1	Decrease in disposal losses for residential properties and industrial parks in the previous year despite decrease in condominium sales compared to the same period in the previous year
Others	...	15.5	16.3	(0.8)	Decrease due to the segment change of subsidiaries despite increase in sales of the equipment materials-related subsidiary in the U.S.
<b>Total</b>		<b>303.8</b>	<b>274.5</b>	<b>29.3</b>	
<u>Net income (loss)</u>	(Unit : billion yen)	Apr-Sep 2004	Apr-Sep 2003	Increase (Decrease)	Reasons for changes
	Textile	...	7.6	6.0	1.7
Machinery	...	5.6	2.1	3.5	Increase following a rise in gross trading profit and increase in equity in earnings of associated companies
Aerospace, Electronics & Multimedia	...	4.3	1.9	2.4	Increase following a rise in gross trading profit and due to decrease in bad debt expense
Energy, Metals & Minerals	...	12.7	8.7	4.1	Increase following a rise in gross trading profit, in addition to increase in energy-related dividends received and increase in equity in earnings of associated companies
Chemicals, Forest Products & General Merchandise	...	13.1	5.8	7.3	Increase following a rise in gross trading profit and increase in equity in earnings of associated companies
Food	...	9.2	8.5	0.6	Increase following a rise in gross trading profit and increase in equity in earnings of associated companies, despite increase in distribution costs
Finance, Realty, Insurance & Logistics Services	...	0.9	(1.8)	2.7	Increase following a rise in gross trading profit in addition to improvement of net interest expenses
Others	...	(9.3)	(11.9)	2.6	Improvement due to decrease in pension costs despite decrease in gross trading profit
<b>Total</b>		<b>44.1</b>	<b>19.2</b>	<b>25.0</b>	
<u>Identifiable assets</u>	(Unit : billion yen)	Sep 2004	Mar 2004	Increase (Decrease)	Reasons for changes
	Textile	...	382.2	382.7	(0.5)
Machinery	...	435.5	433.6	1.9	Increase in ship-related transitions despite decrease due to collection of receivables
Aerospace, Electronics & Multimedia	...	486.3	464.3	22.0	Increase due to the acquisition of aerospace-related business
Energy, Metals & Minerals	...	515.5	443.7	71.8	Increase in trade receivables in energy sector due to rising crude oil prices and increase of overseas trades
Chemicals, Forest Products & General Merchandise	...	594.0	557.4	36.6	Increase in trade receivables and inventories due to increase in sales
Food	...	757.1	711.6	45.5	Increase in trade receivables due to growing demands for summer gifts and additional investments in associated companies
Finance, Realty, Insurance & Logistics Services	...	600.7	609.7	(9.0)	Decrease in finance-related assets
Others	...	670.1	884.3	(214.2)	Decrease in cash and cash equivalents and in prepaid pension costs
<b>Total</b>		<b>4,441.4</b>	<b>4,487.3</b>	<b>(45.9)</b>	

Information concerning operations in different geographical areas for the six months ended September 30, 2004 and 2003 was as follows:

	2004						Yen (millions)
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Trading transactions:							
External customers.....	3,506,062	213,283	88,248	694,303	101,251	-	4,603,147
Transfers between geographical areas .....	680,516	100,496	19,970	762,008	126,826	(1,689,816)	-
Total trading transactions .....	<u>4,186,578</u>	<u>313,779</u>	<u>108,218</u>	<u>1,456,311</u>	<u>228,077</u>	<u>(1,689,816)</u>	<u>4,603,147</u>
Identifiable assets at September 30 .....	<u>3,809,707</u>	<u>302,583</u>	<u>155,872</u>	<u>261,403</u>	<u>292,219</u>	<u>(380,423)</u>	<u>4,441,361</u>

	2003						Yen (millions)
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Trading transactions:							
External customers.....	3,726,842	187,778	76,452	604,856	79,534	-	4,675,462
Transfers between geographical areas .....	505,566	98,921	18,346	547,449	116,621	(1,286,903)	-
Total trading transactions .....	<u>4,232,408</u>	<u>286,699</u>	<u>94,798</u>	<u>1,152,305</u>	<u>196,155</u>	<u>(1,286,903)</u>	<u>4,675,462</u>
Identifiable assets at September 30.....	<u>3,812,897</u>	<u>348,094</u>	<u>178,299</u>	<u>216,099</u>	<u>217,940</u>	<u>(350,022)</u>	<u>4,423,307</u>
Identifiable assets at March 31, 2004.....	<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>

	2004						U.S.dollars (millions)
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Trading transactions:							
External customers.....	31,572	1,921	794	6,252	912	-	41,451
Transfers between geographical areas .....	6,128	905	180	6,862	1,142	(15,217)	-
Total trading transactions .....	<u>37,700</u>	<u>2,826</u>	<u>974</u>	<u>13,114</u>	<u>2,054</u>	<u>(15,217)</u>	<u>41,451</u>
Identifiable assets at September 30 .....	<u>34,306</u>	<u>2,725</u>	<u>1,404</u>	<u>2,354</u>	<u>2,631</u>	<u>(3,426)</u>	<u>39,994</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  
for external customers**

(Unit : billion yen)	<u>Apr-Sep 2004</u>	<u>Apr-Sep 2003</u>	<u>Increase (Decrease)</u>	<u>Reasons for changes</u>	
Japan	...	3,506.1	3,726.8	(220.8) ...	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	...	213.3	187.8	25.5	... Increase in building materials-related business
Europe	...	88.2	76.5	11.8	... Increase in sales in food-related business
Asia	...	694.3	604.9	89.4	... Increase in sales in energy due to rising crude oil prices, and increase in transaction volume
Other Areas	...	101.3	79.5	21.7	... Increase due to rising prices of coal and iron ore, and increase in transaction volume
Eliminations or Unallocated	...	-	-	-	
<b>Total</b>		<b>4,603.1</b>	<b>4,675.5</b>	<b>(72.3)</b>	

**Identifiable assets**

(Unit : billion yen)	<u>Sep 2004</u>	<u>Mar 2004</u>	<u>Increase (Decrease)</u>	<u>Reasons for changes</u>	
Japan	...	3,809.7	3,969.2	(159.5) ...	Decrease in cash and cash equivalents and in prepaid pension costs
North America	...	302.6	276.3	26.3	... Increase in trade receivables and inventories due to increase in sales
Europe	...	155.9	159.0	(3.1)	
Asia	...	261.4	202.6	58.8	... Increase in trade receivables in energy sector due to rising crude oil prices and increasing overseas trades
Other Areas	...	292.2	232.0	60.2	... Increase in energy, metal and minerals related assets
Eliminations or Unallocated	...	(380.4)	(351.8)	(28.6)	
<b>Total</b>		<b>4,441.4</b>	<b>4,487.3</b>	<b>(45.9)</b>	

**Fair Value of Financial Instruments**  
ITOCHU Corporation and Subsidiaries  
September 30, 2004 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 September 30, 2004 and March 31, 2004 were as follows:

		<b>Sep. 2004</b>							
		Cost		Gross Unrealized Holding Gains		Gross Unrealized Holding Losses		Fair Value	
		Yen (millions)	U.S.dollars (millions)	Yen (millions)	U.S.dollars (millions)	Yen (millions)	U.S.dollars (millions)	Yen (millions)	U.S.dollars (millions)
Available-for-sale:									
Current:	Equity securities	-	-	-	-	-	-	-	-
	Debt securities	<b>4,545</b>	<b>41</b>	<b>3</b>	<b>0</b>	-	-	<b>4,548</b>	<b>41</b>
		<b>4,545</b>	<b>41</b>	<b>3</b>	<b>0</b>	-	-	<b>4,548</b>	<b>41</b>
Non-current:	Equity securities	<b>98,185</b>	<b>884</b>	<b>68,197</b>	<b>614</b>	<b>214</b>	<b>2</b>	<b>166,168</b>	<b>1,496</b>
	Debt securities	<b>3,266</b>	<b>30</b>	<b>8</b>	<b>0</b>	<b>133</b>	<b>1</b>	<b>3,141</b>	<b>29</b>
		<b>101,451</b>	<b>914</b>	<b>68,205</b>	<b>614</b>	<b>347</b>	<b>3</b>	<b>169,309</b>	<b>1,525</b>
		<b>Mar. 2004</b>							
		Cost		Gross Unrealized Holding Gains		Gross Unrealized Holding Losses		Fair Value	
		Yen (millions)	Yen (millions)	Yen (millions)	Yen (millions)	Yen (millions)	Yen (millions)	Yen (millions)	Yen (millions)
Available-for-sale:									
Current:	Equity securities	-	-	-	-	-	-	-	-
	Debt securities	8,626	1	1	1	1	1	8,626	8,626
		8,626	1	1	1	1	1	8,626	8,626
Non-current:	Equity securities	97,462	70,177	70,177	70,177	158	158	167,481	167,481
	Debt securities	3,590	42	42	42	181	181	3,451	3,451
		101,052	70,219	70,219	70,219	339	339	170,932	170,932

## 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.