

Additional Notes to Consolidated Financial Statements  
For the Year Ended March 31, 2005 (Based on US GAAP)

June 9, 2005  
ITOCHU Corporation

ITOCHU Corporation announced today additional notes to its consolidated financial statements, using accounting principles generally accepted in the United States, for the year ended March 31, 2005. The consolidated financial statements were originally announced on April 28, 2005.

**Income Taxes**

**- Unaudited -**

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate result in a normal tax rate of approximately 41%. The normal tax rate was 42% for the year ended March 31, 2004.

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

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

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

	2005	2004
	(%)	(%)
	<u>          </u>	<u>          </u>
Japanese normal income tax rate	41.0	(42.0)
Expenses not deductible for tax purposes	1.3	1.7
Difference of tax rates for foreign subsidiaries	(2.3)	(2.3)
Tax benefits not recognized on operating losses of subsidiaries	3.6	3.2
Tax benefits on losses of subsidiaries	(4.0)	(5.9)
Tax on dividends	5.8	6.6
Foreign tax credits	2.0	7.4
Valuation allowance	4.3	(16.8)
Other	0.4	(1.3)
	<u>52.1</u>	<u>(49.4)</u>

Significant components of deferred tax assets and liabilities at March 31, 2005 and 2004 are as follows:

	Yen (millions)	Yen (millions)	U.S. dollars (millions)
	2005	2004	2005
Deferred tax assets :			
Inventories, property and equipment	¥ 131,984	¥ 134,834	\$ 1,229
Allowance for doubtful receivables	41,455	52,689	386
Net operating loss carryforwards	17,057	11,915	159
Accrued retirement and severance benefits	2,532	5,472	24
Marketable securities and other investments	62,562	51,668	582
Other	31,388	40,179	292
Total deferred tax assets	286,978	296,757	2,672
Less valuation allowance	(54,839)	(46,725)	(510)
Deferred tax assets-net	232,139	250,032	2,162
Deferred tax liabilities :			
Installment sales	(483)	(549)	(4)
Accrued retirement and severance benefits	(45,043)	(45,127)	(419)
Marketable securities and other investments	(29,532)	(28,486)	(275)
Other	(20,355)	(23,959)	(190)
Total deferred tax liabilities	(95,413)	(98,121)	(888)
Net deferred tax assets	¥ 136,726	¥ 151,911	\$ 1,274

Note: The Japanese yen amounts for the year ended March 31, 2005, have been translated into United States dollar amounts, solely for the convenience of the reader, at the rate of ¥107.39 = U.S.\$1, prevailing on March 31, 2005.