

## Consolidated Financial Results for the First Quarter of Fiscal 2006

For the three months ended June 30, 2005 and 2004

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## Consolidated Financial Results for the First Quarter of Fiscal Year 2006 ending March 2006

### 1. Basic Information on Quarterly Financial Statements

1. The adoption of compendium method in accounting procedure : None
2. Changes of accounting policy from the previous fiscal year : None
3. Changes of scope of group companies from the previous fiscal year : Yes  
 Changes in the number of consolidated subsidiaries and associated companies  
 Consolidated subsidiaries: [Increase] 14, [Decrease] 3 Associated companies : [Increase] 10, [Decrease] 5  
 The number of consolidated subsidiaries and associated companies  
 Consolidated subsidiaries : 462 Associated companies : 210  
 [Reference] March 31, 2005 Consolidated subsidiaries : 451 Associated companies : 205

### 2. Consolidated Financial Results for the First Quarter of Fiscal Year 2006

#### **(1) Consolidated Results**

	Total trading transactions		Trading income		Please refer below (*1)		Net income (first quarter)	
	millions of yen	increase/decrease(%)	millions of yen	increase/decrease(%)	millions of yen	increase/decrease(%)	millions of yen	increase/decrease(%)
First Quarter of Fiscal Year 2006	2,428,053	14.2	36,739	25.6	41,146	32.1	33,134	52.6
First Quarter of Fiscal Year 2005	2,125,291	(7.2)	29,249	174.4	31,159	205.7	21,712	115.9
[Reference] Fiscal year 2005	9,576,039	0.6	157,740	99.1	119,958	-	77,792	-

(\*1) Income before income taxes, minority interests and equity in earnings of associated companies

Note 1. Consolidated results have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

2. Figures for the first quarter of fiscal year 2006 and 2005 have not been audited by independent auditors.
3. "increase/decrease (%)" presents changes from the same period of the previous fiscal year.
4. "Total trading transactions" and "Trading income" are presented in accordance with Japanese accounting practice.
  - "Total trading transactions" in the consolidated statements of operations consists 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"  
 (Please refer to page 3, "Consolidated Statements of Operations")
5. Parentheses represent negative figures or decreases.

#### **【Summary of Consolidated Results】**

**Total trading transactions** for the three months ended June 30, 2005 increased by 14.2% or 302.8 billion yen to 2,428.1 billion yen (21,949 million U.S. dollars) from the same period of the previous fiscal year. Total trading transactions increased in all segments, mainly in Machinery due to increase in plant transaction; in Energy, Metals & Minerals due to rising prices of coal, iron ore and crude oil and increase in transaction volume; and in Chemicals, Forest Products & General Merchandise due to high market prices of chemicals and steady growth in building material-related transactions in North America.

**Gross trading profit** increased by 12.2% or 17.1 billion yen to 157.7 billion yen (1,426 million U.S. dollars). Gross trading profit increased in all trading segments mainly in Machinery due to steady growth in shipping business, motor vehicle and North American construction machinery business; and in Energy, Metals & Minerals due to rising prices of coal, iron ore and crude oil and increase in transaction volume.

**Selling, general and administrative expenses** were up by 7.6% or 8.5 billion yen to 120.5 billion yen (1,089 million U.S. dollars) with increase accompanied by the expansion of business.

As a result, **Trading income** increased by 25.6% or 7.5 billion yen to 36.7 billion yen (333 million U.S. dollars), with remarkable increase in gross trading profit, in spite of increase in selling, general and administrative expenses.

**Net financial expenses** improved by 33.8% or 0.4 billion yen to 0.8 billion yen (7 million U.S. dollars) with increase in dividends received in spite of a slight increase in net interest expenses.

**Gain on disposal of investments and marketable securities, net of write-down** increased 3.5 billion yen and **Gain on property and equipment-net** increased by 0.3 billion yen, respectively. Meanwhile, **Other-net** decreased by 1.7 billion yen.

Consequently, **Income before income taxes, minority interests and equity in earnings of associated companies** increased by 32.1% or 10.0 billion yen to 41.1 billion yen (372 million U.S. dollars) from the same period of the previous fiscal year.

**Equity in earnings of associated companies** increased by 47.9% or 4.0 billion yen to 12.5 billion yen (113 million U.S. dollars) mainly due to good performance of a steel product-related associated company.

**Net income** for this period stood at 33.1 billion yen (300 million U.S. dollars), increased by 52.6% or 11.4 billion yen from the same period of the previous fiscal year.

#### **(2) Consolidated Financial Position**

	Total assets	Stockholders' equity	Ratio of stockholders' equity to total assets
	millions of yen	millions of yen	%
First Quarter-end of Fiscal Year 2006	4,653,508	544,362	11.7
First Quarter-end of Fiscal Year 2005	4,411,746	447,762	10.1
[Reference] March 31, 2005	4,472,345	510,397	11.4

#### **【Summary of Consolidated Financial Position】**

**Total assets** at the end of the first quarter of fiscal year 2006 increased by 4.1% or 181.2 billion yen to 4,653.5 billion yen (42,068 million U.S. dollars) from the end of the previous fiscal year, with increase in trade receivables mainly due to rising prices of mineral resources and chemicals, and an additional investment in Orient Corporation in spite of decrease in cash and cash equivalents.

**Stockholders' equity** increased by 6.7% or 34.0 billion yen to 544.4 billion yen (4,921 million U.S. dollars) due to net income of this period and improvement in foreign currency translation adjustments and unrealized holding gains on securities in spite of a decrease for the distribution of dividends. As a result, **Ratio of stockholders' equity to Total assets** improved by 0.3 point from March 31, 2005, to 11.7%.

**Net interest-bearing debts** (interest-bearing debts after deducting cash, cash equivalents and time deposits) increased by 4.4% or 84.1 billion yen to 1,975.2 billion yen (17,856 million U.S. dollars) and **Net DER** (Debt-to-Equity Ratio) improved by 0.1 point from March 31, 2005, to 3.6 times.

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 110.62 yen = 1 U.S. dollar, exchange rate prevailing on June 30, 2005.

## Performance of Group Companies

For the three months ended June 30, 2005 and 2004

### Components of Consolidated Net income

(Unit : billion yen)			Increase
	Apr-Jun 2005	Apr-Jun 2004	(Decrease)
Parent company	19.6	16.1	3.4
Overseas trading subsidiaries	3.8	3.3	0.5
Group companies excluding overseas trading subsidiaries	25.7	15.1	10.6
Subtotal	49.0	34.5	14.5
Consolidation adjustments	(15.9)	(12.8)	(3.1)
Consolidated net income	33.1	21.7	11.4

### Number of Group Companies

	June 30, 2005			March 31, 2005			Increase	Decrease	Changes within Group		Net changes
	Domestic	Overseas	Total	Domestic	Overseas	Total			Increase	Decrease	
Subsidiaries	227	235	462	222	229	451	+ 13	(3)	+ 1	0	+ 11
Associated companies	96	114	210	94	111	205	+ 10	(4)	0	(1)	+ 5
Total	323	349	672	316	340	656	+ 23	(7)			+ 16

### Number of Direct Controlled Companies (\*)

	June 30, 2005			March 31, 2005			Increase	Decrease	Changes within Group		Net changes
	Domestic	Overseas	Total	Domestic	Overseas	Total			Increase	Decrease	
Subsidiaries	147	145	292	144	141	285	+ 7	(1)	+ 1	0	+ 7
Associated companies	63	86	149	63	83	146	+ 7	(3)	0	(1)	+ 3
Total	210	231	441	207	224	431	+ 14	(4)			+ 10

(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.

### Share of Group Companies Reporting Profits

	June 30, 2005			June 30, 2004		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Number of companies reporting profits	240	267	507	195	256	451
Number of group companies	323	349	672	314	337	651
Share of group companies reporting profits	74.3%	76.5%	75.4%	62.1%	76.0%	69.3%

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

	Apr-Jun 2005			Apr-Jun 2004			(Unit: billion yen)		
	Profits	Losses	Total	Profits	Losses	Total	Increase(Decrease)		
							Profits	Losses	Total
Group companies excluding overseas trading subsidiaries	30.1	(4.5)	25.7	20.0	(5.0)	15.1	+ 10.1	+ 0.5	+ 10.6
Overseas trading subsidiaries	4.0	(0.2)	3.8	3.3	0.0	3.3	+ 0.7	(0.2)	+ 0.5
Total	34.2	(4.7)	29.5	23.4	(5.0)	18.4	+ 10.8	+ 0.3	+ 11.1

### Major New Group Companies

Segments	Name	Shares	Categories
Aerospace, Electronics & Multimedia	Maxis Consulting Corporation	(100.00%)	Business consulting
Metals & Minerals	i-Recycle Inc.	(100.00%)	Trade of scrap and recycle business
Chemicals	SANIPAK COMPANY OF JAPAN, LTD.	(80.00%)	Manufacturing and sale of plastic bags
Finance	Orient Corporation	(21.04%)	Consumer credit

### Major Group Companies Reporting Profits (\*1)

(Unit : billion yen)	Apr-Jun 2005	Apr-Jun 2004
<Subsidiaries>		
ITOCHU Minerals & Energy of Australia Pty Ltd (*2)	7.5	2.7
Prime Source Building Products, Inc. (*3)	1.2	1.1
ITOCHU Finance Corporation (*4)	0.7	0.4
ITOCHU Oil Exploration (Azerbaijan) Inc.	0.7	0.5
COSMOS SERVICES CO., LTD. (*5)	0.5	0.0
ITOCHU PLASTICS INC.	0.5	0.4
ITOCHU Non-Ferrous Materials Co., Ltd.	0.4	0.2
ITOCHU TECHNO-SCIENCE Corporation	0.4	0.3
JOIX CORPORATION	0.4	0.3

### <Associated companies>

	Apr-Jun 2005	Apr-Jun 2004
Marubeni-Itochu Steel Inc.	4.4	2.4
FamilyMart Co., Ltd.	1.2	1.1
Mazda Canada Inc.	0.7	0.6
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	0.4	0.7
Leilian Co., Ltd.	0.3	0.2
CGB ENTERPRISES, INC. (*6)	0.2	0.1
kabu.com Securities Co., Ltd. (*4)	0.2	0.3
AI Beverage Holding Co., Ltd.	0.2	-

### Major Group Companies Reporting Losses (\*1)

(Unit : billion yen)	Apr-Jun 2005	Apr-Jun 2004
<Subsidiaries>		
C.I. FINANCE (CAYMAN) LTD.	(0.3)	0.2
ILLUMS JAPAN CO., LTD.	(0.1)	(0.1)
ITOCHU Forestry Corp.	(0.1)	(0.1)
ITOCHU Texmac Corporation	(0.1)	0.0

### Performance of Major Overseas Trading Subsidiaries

(Unit : billion yen)	Apr-Jun 2005	Apr-Jun 2004
ITOCHU International Inc. (*3) (*6)	1.8	1.5
ITOCHU Europe PLC.	(0.2)	0.0
ITOCHU Hong Kong Ltd. (*5)	0.6	0.4
ITOCHU (China) Holding Co., Ltd.	0.3	0.2
ITOCHU Australia Ltd. (*2)	0.3	0.2

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

(\*3) The net income of ITOCHU International Inc. includes 80% of that of Prime Source Building Products, Inc.

(\*4) The net income of ITOCHU Finance Corporation includes 4.2% of that of kabu.com Securities Co., Ltd.

(\*5) The net income of ITOCHU Hong Kong Ltd. includes 44.2% of that of COSMOS SERVICES CO., LTD.

(\*6) The net income of ITOCHU International Inc. includes 18% of that of CGB ENTERPRISES, INC.

**Consolidated Statements of Operations [Condensed]**

ITOCHU Corporation and Subsidiaries

For the three months ended June 30, 2005 and 2004

-Unaudited-

	Millions of Yen		Millions of U.S. dollars
	Apr.-Jun. 2005	Apr.-Jun. 2004	Apr.-Jun. 2005
<b>Revenue:</b>			
Sales revenue .....	397,373	335,332	3,592
Trading margins and commissions on trading transactions.....	89,635	89,544	811
( Total trading transactions : Apr.-Jun. 2005: 2,428,053 million yen ( 21,949 million U.S.dollars ) Apr.-Jun. 2004: 2,125,291 million yen )			
Total revenue.....	487,008	424,876	4,403
Cost of sales.....	(329,315)	(284,285)	(2,977)
<b>Gross trading profit .....</b>	<b>157,693</b>	<b>140,591</b>	<b>1,426</b>
Selling, general and administrative expenses .....	(120,511)	(111,986)	(1,089)
Provision for doubtful receivables.....	(443)	644	(4)
Interest income .....	3,008	2,563	27
Interest expense .....	(8,884)	(8,111)	(80)
Dividends received.....	5,125	4,413	46
Gain on disposal of investments and marketable securities, net of write-down.....	4,203	722	38
Gain on property and equipment-net.....	700	390	6
Other-net.....	255	1,933	2
	(116,547)	(109,432)	(1,054)
<b>Income before income taxes, minority interests and equity in earnings of associated companies.....</b>	<b>41,146</b>	<b>31,159</b>	<b>372</b>
Income taxes.....	(18,576)	(16,743)	(168)
<b>Income before minority interests and equity in earnings of associated companies.....</b>	<b>22,570</b>	<b>14,416</b>	<b>204</b>
Minority interests .....	(1,903)	(1,136)	(17)
Equity in earnings of associated companies .....	12,467	8,432	113
<b>Net income.....</b>	<b>33,134</b>	<b>21,712</b>	<b>300</b>
<b>Comprehensive income:</b>			
Net income.....	33,134	21,712	300
Other comprehensive income (loss), net of tax:			
Net change in foreign currency translation adjustments during the period.....	8,191	(3,401)	74
Minimum pension liability adjustments.....	35	-	-
Net change in unrealized holding gains on securities during the period.....	5,077	5,538	46
Net change in unrealized holding gains (losses) on derivative instruments during the period.....	(1,362)	1,077	(13)
Total other comprehensive income.....	11,941	3,214	107
<b>Total.....</b>	<b>45,075</b>	<b>24,926</b>	<b>407</b>

## Note :

- Consolidated statements of operations have been prepared in conformity with accounting principles generally accepted in the United States of America.
- "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.

[Explanation for Consolidated Statements of Operations]

Revenue	(Unit : billion yen)			Increase			
	Revenue	<u>Apr-Jun 2005</u>	<u>Apr-Jun 2004</u>	<u>(Decrease)</u>	<u>Reasons for changes</u>		
		487.0	424.9	62.1	Increase in resource-related transactions due to high market prices		
Gross trading profit	(Unit : billion yen)			Increase			
	Gross trading profit	<u>Apr-Jun 2005</u>	<u>Apr-Jun 2004</u>	<u>(Decrease)</u>	<u>Refer to page 8 "Segment Information"</u>		
		157.7	140.6	17.1	Increase due to strong performance in ITOCHU Corporation and existing subsidiaries : +13.8 Effect of newly consolidated subsidiaries : +4.7 Effect of leaving from subsidiaries : -1.3 Effect of yen's appreciation against U.S. dollar : -0.1		
Selling, general and administrative expenses	(Unit : billion yen)			Increase			
	Personnel expenses	<u>Apr-Jun 2005</u>	<u>Apr-Jun 2004</u>	<u>(Decrease)</u>			
	(including pension costs)	(54.7)	(50.7)	(4.0)			
	Service charge, distribution costs	(2.6)	(1.6)	(1.0)	Pension costs: -1.0		
	Rent, depreciation and amortization	(27.3)	(24.5)	(2.8)	Increase accompanied by expansion of business in existing subsidiaries : -5.3		
	Travel expenses	(14.1)	(13.8)	(0.2)	Effect of newly consolidated subsidiaries : -3.5		
	Others	(4.8)	(4.5)	(0.3)	Effect of leaving from subsidiaries : +1.1		
Other expenses	(19.7)	(18.4)	(1.2)	Effect of yen's appreciation against U.S. dollar : +0.2			
Total	(65.8)	(61.3)	(4.5)				
Total	(120.5)	(112.0)	(8.5)				
Provision for doubtful receivables	(Unit : billion yen)			Increase			
	Provision for doubtful receivables	<u>Apr-Jun 2005</u>	<u>Apr-Jun 2004</u>	<u>(Decrease)</u>			
		(0.4)	0.6	(1.1)	Decrease of collection of receivables in the same period of the previous fiscal year		
Net financial expenses	(Unit : billion yen)			Increase			
	Net financial expenses	<u>Apr-Jun 2005</u>	<u>Apr-Jun 2004</u>	<u>(Decrease)</u>	(Average) <u>Apr-Jun 2005</u> <u>Apr-Jun 2004</u> <u>Changes</u>		
		(0.8)	(1.1)	0.4	Short-term prime 1.375% 1.375% -		
	Interest income	3.0	2.6	0.4	Long-term prime 1.515% 1.744% (0.229%)		
	Interest expense	(8.9)	(8.1)	(0.8)	LIBOR US\$ 3M 2.840% 1.121% 1.719%		
Net interest expenses	(5.9)	(5.5)	(0.3)	Effect of rising U.S. loan interest rates			
Dividends received	5.1	4.4	0.7	Dividends received from LNG-related investments +0.2 (2.0 2.2)			
Gain on disposal of investments and marketable securities, net of write-down	(Unit : billion yen)			Increase			
	Gain on disposal of investments and marketable securities, net of write-down	<u>Apr-Jun 2005</u>	<u>Apr-Jun 2004</u>	<u>(Decrease)</u>			
		4.2	0.7	3.5	Gains on sales of securities +3.2 (1.0 4.2), Devaluation losses on securities +0.2(-0.3 -0.1)		
Gain on property and equipment-net	(Unit : billion yen)			Increase			
	Gain on property and equipment-net	<u>Apr-Jun 2005</u>	<u>Apr-Jun 2004</u>	<u>(Decrease)</u>			
		0.7	0.4	0.3	Net gains on disposal of fixed assets +0.4		
Other-net	(Unit : billion yen)			Increase			
	Other-net	<u>Apr-Jun 2005</u>	<u>Apr-Jun 2004</u>	<u>(Decrease)</u>			
		0.3	1.9	(1.7)	Foreign exchange gains and losses -0.2, Miscellaneous gains and losses -1.5(1.0 -0.5)		
Minority interests	(Unit : billion yen)			Increase			
	Minority interests	<u>Apr-Jun 2005</u>	<u>Apr-Jun 2004</u>	<u>(Decrease)</u>			
		(1.9)	(1.1)	(0.8)			
Equity in earnings of associated companies	(Unit : billion yen)			Increase			
	Equity in earnings of associated companies	<u>Apr-Jun 2005</u>	<u>Apr-Jun 2004</u>	<u>(Decrease)</u>			
		12.5	8.4	4.0	Mainly Marubeni-Itochu Steel Inc. +2.0 Refer to page 2 "Major Group Companies Reporting Profits"		
<b>Total trading transactions</b>	(Unit : billion yen)			Increase			
	<b>Total trading transactions</b>	<u>Apr-Jun 2005</u>	<u>Apr-Jun 2004</u>	<u>(Decrease)</u>	<u>Refer to page 8 "Segment Information"</u>		
	Gross trading profit ratio	2,428.1	2,125.3	302.8	(Note) Effect of yen's appreciation against U.S. dollar : Approximately -36.0		
		6.49%	6.62%	(0.12%)			
<b>Adjusted profit</b>	(Unit : billion yen)			Increase			
	<b>Adjusted profit</b>	<u>Apr-Jun 2005</u>	<u>Apr-Jun 2004</u>	<u>(Decrease)</u>	(*) The amount ( ) presents changes from the same period of the previous fiscal year		
		48.9	35.9	13.0	Adjusted profit(*) (+13.0)= Gross trading profit (+17.1) + SG&A expenses(-8.5) + Net financial expenses (+0.4) + Equity in earnings of associated companies (+4.0)		
Comprehensive income	Refer to page 6 "Consolidated Balance Sheets (Liabilities and Stockholders' Equity)"						
	[Average exchange rate Yen/US\$]	[For March closing companies]	[For December closing companies]				
		<u>Apr-Jun 2005</u>	<u>Apr-Jun 2004</u>	<u>Changes</u>	<u>Jan-Mar 2005</u>	<u>Jan-Mar 2004</u>	<u>Changes</u>
		106.63	110.01	(3.38)	104.20	106.85	(2.65)
		<u>Apr-Jun 2004</u>	<u>Apr-Jun 2003</u>	<u>Changes</u>	<u>Jan-Mar 2004</u>	<u>Jan-Mar 2003</u>	<u>Changes</u>
	110.01	118.59	(8.58)	106.85	120.11	(13.26)	

**Consolidated Balance Sheets (Assets) [Condensed]**

ITOCHU Corporation and Subsidiaries

As of June 30, 2005 and March 31, 2005

-Unaudited-

<b>Assets</b>	Millions of Yen		Millions of
	<b>Jun. 2005</b>	Mar. 2005	U.S. dollars
			<b>Jun. 2005</b>
<b>Current assets:</b>			
Cash and cash equivalents.....	<b>409,790</b>	452,934	<b>3,704</b>
Time deposits.....	<b>2,812</b>	2,684	<b>25</b>
Marketable securities.....	<b>55,040</b>	49,149	<b>498</b>
Trade receivables:			
Notes.....	<b>167,973</b>	155,593	<b>1,518</b>
Accounts.....	<b>1,027,939</b>	950,482	<b>9,293</b>
Allowance for doubtful receivables.....	<b>(19,918)</b>	(20,222)	<b>(180)</b>
Net trade receivables.....	<b>1,175,994</b>	1,085,853	<b>10,631</b>
Due from associated companies.....	<b>81,426</b>	90,174	<b>736</b>
Inventories.....	<b>443,685</b>	420,069	<b>4,011</b>
Advances to suppliers.....	<b>107,832</b>	86,453	<b>975</b>
Prepaid expenses.....	<b>27,302</b>	22,878	<b>247</b>
Deferred tax assets.....	<b>38,739</b>	40,096	<b>350</b>
Other current assets.....	<b>207,219</b>	191,605	<b>1,873</b>
Total current assets.....	<b>2,549,839</b>	2,441,895	<b>23,050</b>
<b>Investments and non-current receivables:</b>			
Investments in and advances to			
associated companies.....	<b>557,763</b>	472,468	<b>5,042</b>
Other investments.....	<b>439,082</b>	441,783	<b>3,969</b>
Other non-current receivables.....	<b>315,826</b>	329,582	<b>2,855</b>
Allowance for doubtful receivables.....	<b>(143,700)</b>	(143,229)	<b>(1,299)</b>
Net investments and non-current receivables.....	<b>1,168,971</b>	1,100,604	<b>10,567</b>
<b>Property and equipment, at cost:</b>			
Land.....	<b>165,628</b>	165,148	<b>1,497</b>
Buildings.....	<b>311,629</b>	310,907	<b>2,817</b>
Machinery and equipment.....	<b>269,199</b>	250,298	<b>2,434</b>
Furniture and fixtures.....	<b>50,416</b>	49,217	<b>456</b>
Mineral rights.....	<b>28,841</b>	28,230	<b>261</b>
Construction in progress.....	<b>6,241</b>	4,482	<b>56</b>
Total property and equipment, at cost.....	<b>831,954</b>	808,282	<b>7,521</b>
Less accumulated depreciation.....	<b>322,078</b>	310,924	<b>2,912</b>
Net property and equipment.....	<b>509,876</b>	497,358	<b>4,609</b>
<b>Prepaid pension cost.....</b>	<b>181,585</b>	178,890	<b>1,642</b>
<b>Deferred tax assets, non-current.....</b>	<b>101,317</b>	109,085	<b>916</b>
<b>Other assets.....</b>	<b>141,920</b>	144,513	<b>1,284</b>
<b>Total .....</b>	<b>4,653,508</b>	4,472,345	<b>42,068</b>

Note :

Consolidated balance sheets have been prepared in conformity with accounting principles generally accepted in the United States of America.

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

-Unaudited-

ITOCHU Corporation and Subsidiaries

As of June 30, 2005 and March 31, 2005

<b>Liabilities and Stockholders' Equity</b>	Millions of Yen		Millions of U.S. dollars
	<b>Jun. 2005</b>	Mar. 2005	<b>Jun. 2005</b>
<b>Current liabilities:</b>			
Short-term debt .....	<b>459,538</b>	421,697	<b>4,154</b>
Current maturities of long-term debt.....	<b>275,684</b>	255,173	<b>2,492</b>
Trade payables:			
Notes and acceptances.....	<b>170,781</b>	161,798	<b>1,544</b>
Accounts.....	<b>874,881</b>	805,150	<b>7,909</b>
Total trade payables.....	<b>1,045,662</b>	966,948	<b>9,453</b>
Due to associated companies.....	<b>34,145</b>	42,050	<b>309</b>
Accrued expenses.....	<b>96,148</b>	98,136	<b>869</b>
Income taxes payable.....	<b>17,244</b>	24,032	<b>156</b>
Advances from customers.....	<b>120,680</b>	90,153	<b>1,091</b>
Deferred tax liabilities.....	<b>711</b>	802	<b>7</b>
Other current liabilities.....	<b>173,492</b>	161,148	<b>1,568</b>
Total current liabilities .....	<b>2,223,304</b>	2,060,139	<b>20,099</b>
<b>Long-term debt, excluding current maturities.....</b>	<b>1,735,407</b>	1,750,815	<b>15,688</b>
<b>Accrued retirement and severance benefits.....</b>	<b>22,362</b>	22,405	<b>202</b>
<b>Deferred tax liabilities, non-current.....</b>	<b>12,109</b>	11,653	<b>110</b>
<b>Commitments and contingent liabilities</b>			
<b>Minority interests.....</b>	<b>115,964</b>	116,936	<b>1,048</b>
<b>Stockholders' equity:</b>			
Common stock:			
Authorized 3,000,000,000 shares;			
Issued:			
1,584,889,504 shares .....	<b>202,241</b>	202,241	<b>1,828</b>
Capital surplus .....	<b>137,025</b>	137,024	<b>1,239</b>
Retained earnings:			
Legal reserve .....	<b>4,975</b>	3,927	<b>45</b>
Other retained earnings .....	<b>205,274</b>	184,273	<b>1,856</b>
Total retained earnings .....	<b>210,249</b>	188,200	<b>1,901</b>
Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments.....	<b>(55,228)</b>	(63,419)	<b>(499)</b>
Minimum pension liability adjustments.....	<b>(2,012)</b>	(2,047)	<b>(18)</b>
Unrealized holding gains on securities.....	<b>57,823</b>	52,746	<b>522</b>
Unrealized holding losses on derivative instruments.....	<b>(4,884)</b>	(3,522)	<b>(44)</b>
Total accumulated other comprehensive loss .....	<b>(4,301)</b>	(16,242)	<b>(39)</b>
Treasury stock, at cost.....	<b>(852)</b>	(826)	<b>(8)</b>
Total stockholders' equity .....	<b>544,362</b>	510,397	<b>4,921</b>
<b>Total .....</b>	<b>4,653,508</b>	4,472,345	<b>42,068</b>

## [Explanation for Consolidated Balance Sheets]

Total assets at the end of the first quarter of fiscal year 2006 increased by 4.1% or 181.2 billion yen to 4,653.5 billion yen (42,068 million U.S. dollars) from the end of the previous fiscal year, with increase in trade receivables mainly due to rising prices of mineral resources and chemicals, and an additional investment in Orient Corporation in spite of decrease in cash and cash equivalents.

### Assets

		(Unit: billion yen)			
		Jun 2005	Mar 2005	Increase (Decrease)	Reasons for changes
Cash and cash equivalents	...	409.8	452.9	(43.1)	
Net trade receivables	...	1,176.0	1,085.9	90.1	... Mainly increase in Energy; Chemicals, Forest Products & General Merchandise; and Food
Inventories	...	443.7	420.1	23.6	... Mainly increase in Textile; Forest Products & General Merchandise; and Food
Advances to suppliers	...	107.8	86.5	21.4	... Mainly increase in Aerospace, Electronics & Multimedia
Other current assets	...	207.2	191.6	15.6	... Increase in other account receivables
Investments in and advances to associated companies	...	557.8	472.5	85.3	... Mainly increase in investment in Orient Corporation

### Liabilities

		(Unit: billion yen)			
		Jun 2005	Mar 2005	Increase (Decrease)	Reasons for changes
Trade payables	...	1,045.7	966.9	78.7	... Mainly increase in Energy and Food
Advances from customers	...	120.7	90.2	30.5	... Mainly increase in Aerospace, Electronics & Multimedia

#### [Interest-bearing debts]

Short-term loans payable	...	459.5	421.7	37.8
Current maturities of long-term loans payable	...	220.9	160.5	60.3
Current maturities of debentures	...	54.8	94.6	(39.8)
Short-term total	...	735.2	676.9	58.4
Long-term loans payable	...	1,461.7	1,472.7	(11.0)
Debentures	...	178.7	186.0	(7.3)
Long-term total	...	1,640.5	1,658.7	(18.3)
Total interest-bearing debts	...	2,375.7	2,335.6	40.1
SFAS 133 fair value adjustment	...	12.1	11.1	1.0
Adjusted total interest-bearing debts	...	2,387.8	2,346.7	41.1
Cash, cash equivalents and time deposits	...	412.6	455.6	(43.0)
Net interest-bearing debts	...	1,975.2	1,891.1	84.1
Net debt-to-equity ratio [times]	...	3.6	3.7	(0.1)

### Stockholders' equity

		(Unit: billion yen)			
		Jun 2005	Mar 2005	Increase (Decrease)	Reasons for changes
Common stock	...	202.2	202.2	-	
Capital surplus	...	137.0	137.0	0.0	
Retained earnings:	...	210.2	188.2	22.0	
Legal reserve	...	5.0	3.9	1.0	
Other retained earnings	...	205.3	184.3	21.0	... Net income +33.1, Distribution of dividends -11.1
Accumulated other comprehensive income (loss):	...	(4.3)	(16.2)	11.9	
Foreign currency translation adjustments	...	(55.2)	(63.4)	8.2	... Effect of yen's depreciation
Minimum pension liability adjustments	...	(2.0)	(2.0)	0.0	
Unrealized holding gains on securities	...	57.8	52.7	5.1	
Unrealized holding losses on derivative instruments	...	(4.9)	(3.5)	(1.4)	... Decline in yen's forward interest rate
Treasury stock, at cost	...	(0.9)	(0.8)	(0.0)	
Total stockholders' equity	...	544.4	510.4	34.0	
Ratio of stockholders' equity	...	11.7%	11.4%	0.3%	

[Current exchange rate Yen/US\$]

[For March closing companies]

[For December closing companies]

Jun 2005	Mar 2005	Changes	Mar 2005	Dec 2004	Changes
110.62	107.39	+3.23	107.39	104.21	+3.18
Jun 2004	Mar 2004	Changes	Mar 2004	Dec 2003	Changes
108.43	105.69	+2.74	105.69	107.13	(1.44)

## Operating Segment Information

ITOCHU Corporation and Subsidiaries

For the three months ended June 30, 2005 and 2004

-Unaudited-

ITOCHU (ITOCHU Corporation and its subsidiaries) is 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 has 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 in operations, including resource allocations, and evaluations by the management.

Information concerning operations in different operating segments for the three months ended June 30, 2005 and 2004 is as follows:

For the three months ended June 30, 2005 (April 1, 2005 - June 30, 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 .....	189,894	351,657	142,255	636,640	452,299	533,176	60,791	61,341	2,428,053
Transfers between operating segments .....	149	102	801	304	1,266	65	1,792	(4,479)	-
Total trading transactions .....	<u>190,043</u>	<u>351,759</u>	<u>143,056</u>	<u>636,944</u>	<u>453,565</u>	<u>533,241</u>	<u>62,583</u>	<u>56,862</u>	<u>2,428,053</u>
Gross trading profit .....	<u>26,786</u>	<u>14,979</u>	<u>23,455</u>	<u>15,484</u>	<u>25,174</u>	<u>34,724</u>	<u>9,937</u>	<u>7,154</u>	<u>157,693</u>
Net income .....	<u>2,633</u>	<u>2,811</u>	<u>2,179</u>	<u>14,132</u>	<u>4,453</u>	<u>4,004</u>	<u>1,782</u>	<u>1,140</u>	<u>33,134</u>
[Equity in earnings of associated companies].....	<u>[320]</u>	<u>[1,454]</u>	<u>[120]</u>	<u>[5,710]</u>	<u>[806]</u>	<u>[2,382]</u>	<u>[1,640]</u>	<u>[35]</u>	<u>[12,467]</u>
Identifiable assets at June 30.....	<u>370,428</u>	<u>473,760</u>	<u>483,888</u>	<u>585,353</u>	<u>637,180</u>	<u>768,146</u>	<u>638,136</u>	<u>696,617</u>	<u>4,653,508</u>

For the three months ended June 30, 2004 (April 1, 2004 - June 30, 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 .....	184,898	234,911	124,854	540,833	423,890	515,762	43,621	56,522	2,125,291
Transfers between operating segments .....	322	108	448	172	1,542	56	1,901	(4,549)	-
Total trading transactions .....	<u>185,220</u>	<u>235,019</u>	<u>125,302</u>	<u>541,005</u>	<u>425,432</u>	<u>515,818</u>	<u>45,522</u>	<u>51,973</u>	<u>2,125,291</u>
Gross trading profit .....	<u>24,943</u>	<u>12,661</u>	<u>22,149</u>	<u>8,928</u>	<u>23,731</u>	<u>32,563</u>	<u>8,038</u>	<u>7,578</u>	<u>140,591</u>
Net income (loss) .....	<u>2,581</u>	<u>2,929</u>	<u>1,197</u>	<u>6,665</u>	<u>4,711</u>	<u>3,604</u>	<u>80</u>	<u>(55)</u>	<u>21,712</u>
[Equity in earnings (losses) of associated companies].....	<u>[176]</u>	<u>[1,435]</u>	<u>[(14)]</u>	<u>[3,042]</u>	<u>[1,098]</u>	<u>[1,975]</u>	<u>[939]</u>	<u>[(219)]</u>	<u>[8,432]</u>
Identifiable assets at June 30.....	<u>366,014</u>	<u>424,169</u>	<u>468,647</u>	<u>486,248</u>	<u>602,873</u>	<u>757,902</u>	<u>592,403</u>	<u>713,490</u>	<u>4,411,746</u>
Identifiable assets at March 31, 2005.....	<u>377,230</u>	<u>451,442</u>	<u>489,415</u>	<u>491,012</u>	<u>583,720</u>	<u>727,959</u>	<u>615,304</u>	<u>736,263</u>	<u>4,472,345</u>

For the three months ended June 30, 2005 (April 1, 2005 - June 30, 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 .....	1,717	3,179	1,286	5,755	4,088	4,820	550	554	21,949
Transfers between operating segments .....	1	1	7	3	12	-	16	(40)	-
Total trading transactions .....	<u>1,718</u>	<u>3,180</u>	<u>1,293</u>	<u>5,758</u>	<u>4,100</u>	<u>4,820</u>	<u>566</u>	<u>514</u>	<u>21,949</u>
Gross trading profit .....	<u>242</u>	<u>135</u>	<u>212</u>	<u>140</u>	<u>228</u>	<u>314</u>	<u>90</u>	<u>65</u>	<u>1,426</u>
Net income .....	<u>24</u>	<u>26</u>	<u>20</u>	<u>128</u>	<u>40</u>	<u>36</u>	<u>16</u>	<u>10</u>	<u>300</u>
[Equity in earnings of associated companies].....	<u>[3]</u>	<u>[13]</u>	<u>[1]</u>	<u>[52]</u>	<u>[7]</u>	<u>[22]</u>	<u>[15]</u>	<u>[0]</u>	<u>[113]</u>
Identifiable assets at June 30.....	<u>3,349</u>	<u>4,283</u>	<u>4,374</u>	<u>5,292</u>	<u>5,760</u>	<u>6,944</u>	<u>5,769</u>	<u>6,297</u>	<u>42,068</u>

Note :

- "Equity in earnings of associated companies" 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]

<b>Total trading transactions</b>	(Unit : billion yen)			Increase	Reasons for changes
		Apr-Jun 2005	Apr-Jun 2004	(Decrease)	
Textile	...	189.9	184.9	5.0	... Increase due to acquisition of a men's apparel-related subsidiary
Machinery	...	351.7	234.9	116.7	... Increase due to growth in plant business
Aerospace, Electronics & Multimedia	...	142.3	124.9	17.4	... Increase due to acquisition of an aerospace-related subsidiary in the second quarter of the previous fiscal year
Energy, Metals & Minerals	...	636.6	540.8	95.8	... Increase due to rising prices of coal, iron ore and crude oil, and increase in transaction volume
Chemicals, Forest Products & General Merchandise	...	452.3	423.9	28.4	... Increase due to high market prices of chemicals, and steady growth in building material-related transactions in North America
Food	...	533.2	515.8	17.4	... Increase due to increasing transactions in commercial food distribution subsidiaries and acquisition of subsidiaries
Finance, Realty, Insurance & Logistics Services	...	60.8	43.6	17.2	... Increase in overseas construction-related transactions in addition to increase in condominium sales in construction
Others	...	61.3	56.5	4.8	... Increase in overseas trading subsidiaries in Asia
<b>Total</b>		<b>2,428.1</b>	<b>2,125.3</b>	<b>302.8</b>	
<b>Gross trading profit</b>	(Unit : billion yen)			Increase	Reasons for changes
		Apr-Jun 2005	Apr-Jun 2004	(Decrease)	
Textile	...	26.8	24.9	1.8	... Increase due to acquisition of a men's apparel-related subsidiary
Machinery	...	15.0	12.7	2.3	... Increase in shipping business, sales of motor vehicles in the Americas and construction machinery business in North America
Aerospace, Electronics & Multimedia	...	23.5	22.1	1.3	... Increase due to acquisition of an aerospace-related subsidiary in the second quarter of the previous fiscal year
Energy, Metals & Minerals	...	15.5	8.9	6.6	... Increase due to rising prices of coal, iron ore and crude oil, and increase in transaction volume
Chemicals, Forest Products & General Merchandise	...	25.2	23.7	1.4	... Increase due to high market prices of chemicals, steady growth in building material-related transactions in North America and acquisition of subsidiaries, despite decrease due to a decline in the domestic market for housing-related materials
Food	...	34.7	32.6	2.2	... Increase due to the improvement of performance of commercial food distribution subsidiaries and foodstuff subsidiaries and the acquisition of subsidiaries
Finance, Realty, Insurance & Logistics Services	...	9.9	8.0	1.9	... Increase in distribution subsidiaries in addition to increase in condominium sales
Others	...	7.2	7.6	(0.4)	... Decrease due to reclassification from interest expense to cost of sales in a part of transactions, despite increase in finance-related subsidiaries in North America and overseas trading subsidiaries in Asia
<b>Total</b>		<b>157.7</b>	<b>140.6</b>	<b>17.1</b>	
<b>Net income (loss)</b>	(Unit : billion yen)			Increase	Reasons for changes
		Apr-Jun 2005	Apr-Jun 2004	(Decrease)	
Textile	...	2.6	2.6	0.1	... Approximately the same profit level as the previous year's first quarter
Machinery	...	2.8	2.9	(0.1)	... Approximately the same profit level as the previous year's first quarter
Aerospace, Electronics & Multimedia	...	2.2	1.2	1.0	... Increase due to steady growth in most of subsidiaries and associated companies and gains on sales of securities
Energy, Metals & Minerals	...	14.1	6.7	7.5	... Increase in gross trading profit and equity in earnings of a steel product-related associated company
Chemicals, Forest Products & General Merchandise	...	4.5	4.7	(0.3)	... Increase in selling, general and administrative expenses, despite increase in gross trading profit and decrease in equity in earnings of associated companies
Food	...	4.0	3.6	0.4	... Increase in gross trading profit and equity in earnings of associated companies
Finance, Realty, Insurance & Logistics Services	...	1.8	0.1	1.7	... Increase in equity in earnings of a new finance-related associated company in addition to increase in gross trading profit and gain on sales of property and equipment by an insurance subsidiary
Others	...	1.1	(0.1)	1.2	... Increase due to improvement in net interest expenses and a reduction in income taxes
<b>Total</b>		<b>33.1</b>	<b>21.7</b>	<b>11.4</b>	
<b>Identifiable assets</b>	(Unit : billion yen)			Increase	Reasons for changes
		Jun. 2005	Mar. 2005	(Decrease)	
Textile	...	370.4	377.2	(6.8)	... Decrease due to collection of receivables, in spite of increase due to new investments
Machinery	...	473.8	451.4	22.3	... Increase mainly in trade receivables related to plant and motor vehicles business
Aerospace, Electronics & Multimedia	...	483.9	489.4	(5.5)	... Decrease due to collection of trade receivables in IT-related business
Energy, Metals & Minerals	...	585.4	491.0	94.3	... Increase in trade receivables in energy due to rising crude oil prices and increase of overseas trade
Chemicals, Forest Products & General Merchandise	...	637.2	583.7	53.5	... Increase in trade receivables and inventories mainly due to high market prices of chemicals
Food	...	768.1	728.0	40.2	... Increase in trade receivables and inventories due to a growing demand for summer gifts
Finance, Realty, Insurance & Logistics Services	...	638.1	615.3	22.8	... Increase due to an investment in the finance-related associated company
Others	...	696.6	736.3	(39.6)	... Decrease in cash and cash equivalents
<b>Total</b>		<b>4,653.5</b>	<b>4,472.3</b>	<b>181.2</b>	

