

January 31, 2006

Consolidated Financial Results for the Third Quarter of Fiscal 2006

For the nine months ended December 31, 2005 and 2004

ITOCHU Corporation

ITOCHU Corporation

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This document is an English translation of a statement written initially in Japanese.
The Japanese original should be considered the primary version.

Consolidated Financial Results for the Third Quarter of Fiscal 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] 29, [Decrease] 10 Associated companies : [Increase] 21, [Decrease] 17
The number of consolidated subsidiaries and associated companies
Consolidated subsidiaries : 470 Associated companies : 209
[Reference] March 31, 2005 Consolidated subsidiaries : 451 Associated companies : 205

2. Consolidated Financial Results for the nine months ended December 31, 2005 (April 1, 2005 - December 31, 2005)

(1) Consolidated Results for the nine months ended December 31, 2005

| | Total trading transactions | | Trading income | | Please refer below (*) | | Net income | |
|---------------------------|----------------------------|----------------------|-----------------|----------------------|------------------------|----------------------|-----------------|----------------------|
| | millions of yen | increase/decrease(%) | millions of yen | increase/decrease(%) | millions of yen | increase/decrease(%) | millions of yen | increase/decrease(%) |
| For the nine months ended | | | | | | | | |
| December 31, 2005 | 7,652,721 | 9.8 | 134,650 | 15.7 | 150,272 | 36.6 | 113,242 | 60.8 |
| December 31, 2004 | 6,968,162 | (2.5) | 116,381 | 72.9 | 110,002 | 127.4 | 70,412 | 108.3 |
| [Reference] Fiscal 2005 | 9,576,039 | 0.6 | 157,740 | 99.1 | 119,958 | - | 77,792 | - |

(2) Consolidated Results for the three months ended December 31, 2005

| | Total trading transactions | | Trading income | | Please refer below (*) | | Net income | |
|----------------------------|----------------------------|----------------------|-----------------|----------------------|------------------------|----------------------|-----------------|----------------------|
| | millions of yen | increase/decrease(%) | millions of yen | increase/decrease(%) | millions of yen | increase/decrease(%) | millions of yen | increase/decrease(%) |
| For the three months ended | | | | | | | | |
| December 31, 2005 | 2,637,592 | 11.5 | 45,354 | 12.5 | 67,133 | 66.3 | 47,962 | 82.5 |
| December 31, 2004 | 2,365,015 | (4.4) | 40,306 | 49.9 | 40,358 | 75.8 | 26,277 | 79.5 |

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

[Summary of Consolidated Results]

Total trading transactions for the nine months ended December 31, 2005 increased by 9.8% or 684.6 billion yen to 7,652.7 billion yen (64,815 million U.S. dollars) from the same period of the previous fiscal year. Total trading transactions increased in all segments, especially in Machinery through increasing transactions of plants and automobile, in Energy, Metal & Minerals through rising prices of coal, iron ore, and crude oil.

Revenue increased by 16.4% or 226.2 billion yen to 1,601.3 billion yen (13,562 million U.S. dollars), because of the increase in resource-related transactions due to rising market prices.

Gross trading profit increased by 13.0% or 60.2 billion yen to 522.5 billion yen (4,425 million U.S. dollars). Increase in gross trading profit is shown in every segment including Machinery supported by growth in automobile business in Europe and the U.S. as well as good performance of construction machinery business in North America, and Energy, Metal & Minerals through rising prices of coal, iron ore, and crude oil.

Selling, general and administrative expenses, with an increase in expenses from business expansion and consolidating new companies, increased by 9.5% or 32.4 billion yen to 374.6 billion yen (3,173 million U.S. dollars). **Provision for doubtful receivables** increased by 9.5 billion yen, because of additional provision for Iraq receivables.

Net financial expenses were 6.3 billion yen (52 million U.S. dollars) at the same level as the same period of the previous fiscal year. **Net interest expenses** were worsened by 3.1 billion yen in period-to-period comparison, due to U.S. interest rate rise. **Dividends received** increased by 3.1 billion yen mainly from the LNG-related investment.

Gain (loss) on property and equipment-net was worsened by 0.9 billion yen to 0.5 billion yen (4 million U.S. dollars), and **Other-net** also decreased by 15.2 billion yen to a loss of 16.0 billion yen (136 million U.S. dollars) reflecting recorded loss of a legal settlement (19.5 billion yen) of an overseas trading subsidiary in the U.S., while **Gain on disposal of investments and marketable securities, including write-down** improved by 38.0 billion yen to 38.4 billion yen (325 million U.S. dollars) due to an increase in profit from disposal of U.S. healthcare-related securities.

As a result, **Income before income taxes, minority interests and equity in earnings of associated companies** increased by 36.6% or 40.3 billion yen to 150.3 billion yen (1,273 million U.S. dollars) from the same period of the previous fiscal year. **Equity in earnings of associated companies** increased by 65.7% or 16.5 billion yen to 41.7 billion yen (353 million U.S. dollars) due to contribution of steel products-related associated company and a new finance-related associated company.

Net income for the period stood at 13.2 billion yen (959 million U.S. dollars), increased by 60.8% or 42.8 billion yen from the same period of the previous fiscal year.

(3) Consolidated Financial Position

| | Total assets | Stockholders' equity | Ratio of stockholders' equity to total assets |
|----------------------------------|-----------------|----------------------|---|
| | millions of yen | millions of yen | % |
| As of December 31, 2005 | 4,977,482 | 680,131 | 13.7 |
| As of December 31, 2004 | 4,658,948 | 505,509 | 10.9 |
| [Reference] As of March 31, 2005 | 4,472,345 | 510,397 | 11.4 |

[Summary of Consolidated Financial Position]

Total assets as of December 31, 2005 increased by 11.3% or 505.1 billion yen from March 31, 2005, to 4,977.5 billion yen (42,157 million U.S. dollars) due to increase in trade receivables and investments. The former increased due to year-end sales and rising prices of chemicals and energy related materials and products, the latter increased due to additional acquisition of Orient Corporation stocks and rising in stock prices of available-for-sale securities.

Stockholders' equity increased by 33.3% or 169.7 billion yen from March 31, 2005, to 680.1 billion yen (5,760 million U.S. dollars) due to an increase in net income for this period and accumulated other comprehensive income, which relates an increase in unrealized holding gains on securities through rising stock prices and an improvement in foreign currency translation adjustments through yen's depreciation against U.S. dollar at the end of the period. As a result, stockholders' equity ratio improved by 2.3 point from March 31, 2005 to 13.7%.

Net interest-bearing debts (interest-bearing debts after deducting cash, cash equivalents and time deposits) increased by 2.3% or 43.3 billion yen from March 31, 2005, to 1,934.4 billion yen (16,384 million U.S. dollars). As a result, NET DER (Debt-to-Equity Ratio) improved by 0.9 point from March 31, 2005, to 2.8 times.

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

2. Figures for the third quarter of fiscal 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 and 10, "Consolidated Statements of Operations")

5. Parentheses represent negative figures or decreases.

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

| | Total trading transactions | Net income |
|-------------|----------------------------|-----------------|
| | millions of yen | millions of yen |
| Fiscal 2006 | 10,300,000 | 135,000 |

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.

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 118.07 yen = 1 U.S. dollar, exchange rate prevailing on December 31, 2005.

Performance of Group Companies

For the nine months ended December 31, 2005 and 2004

Components of Consolidated Net income

| (Unit : billion yen) | | | Increase |
|---|--------------|--------------|------------|
| | Apr-Dec 2005 | Apr-Dec 2004 | (Decrease) |
| Parent company | 41.8 | 27.9 | 13.9 |
| Group companies excluding overseas trading subsidiaries | 89.7 | 52.5 | 37.2 |
| Overseas trading subsidiaries | 7.5 | 12.1 | (4.6) |
| Subtotal | 139.0 | 92.5 | 46.5 |
| Consolidation adjustments | (25.7) | (22.1) | (3.6) |
| Consolidated net income | 113.2 | 70.4 | 42.8 |

Number of Group Companies

| | December 31, 2005 | | | March 31, 2005 | | | Increase | Decrease | Changes within Group | Net changes | |
|----------------------|-------------------|----------|-------|----------------|----------|-------|----------|----------|----------------------|-------------|------|
| | Domestic | Overseas | Total | Domestic | Overseas | Total | | | | | |
| Subsidiaries | 229 | 241 | 470 | 222 | 229 | 451 | + 25 | (9) | + 4 | (1) | + 19 |
| Associated companies | 93 | 116 | 209 | 94 | 111 | 205 | + 20 | (13) | (4) | + 1 | + 4 |
| Total | 322 | 357 | 679 | 316 | 340 | 656 | + 45 | (22) | | | + 23 |

Number of Direct Controlled Companies

| | December 31, 2005 | | | March 31, 2005 | | | Increase | Decrease | Changes within Group | Net changes | |
|----------------------|-------------------|----------|-------|----------------|----------|-------|----------|----------|----------------------|-------------|------|
| | Domestic | Overseas | Total | Domestic | Overseas | Total | | | | | |
| Subsidiaries | 148 | 147 | 295 | 144 | 141 | 285 | + 11 | (4) | + 4 | (1) | + 10 |
| Associated companies | 64 | 86 | 150 | 63 | 83 | 146 | + 14 | (7) | (4) | + 1 | + 4 |
| Total | 212 | 233 | 445 | 207 | 224 | 431 | + 25 | (11) | | | + 14 |

(Note) Direct controlled companies are monitored by the necessity of ITOCHU Corporation to directly implement its group management strategy.

Share of Group Companies Reporting Profits

| | Apr-Dec 2005 | | | Apr-Dec 2004 | | | Increase(Decrease) | | |
|--|--------------|----------|-------|--------------|----------|-------|--------------------|----------|--------|
| | Domestic | Overseas | Total | Domestic | Overseas | Total | Domestic | Overseas | Total |
| Number of companies reporting profits | 252 | 290 | 542 | 229 | 279 | 508 | + 23 | + 11 | + 34 |
| Number of group companies | 322 | 357 | 679 | 321 | 344 | 665 | + 1 | + 13 | + 14 |
| Share of group companies reporting profits | 78.3% | 81.2% | 79.8% | 71.3% | 81.1% | 76.4% | + 7.0% | + 0.1% | + 3.4% |

Profits / Losses of Group Companies Reporting Profits / Losses

| | Apr-Dec 2005 | | | Apr-Dec 2004 | | | Increase(Decrease) | | |
|---|--------------|--------|-------|--------------|--------|-------|--------------------|--------|--------|
| | Profits | Losses | Total | Profits | Losses | Total | Profits | Losses | Total |
| Group companies excluding overseas trading subsidiaries | 100.1 | (10.4) | 89.7 | 66.0 | (13.5) | 52.5 | + 34.1 | + 3.1 | + 37.2 |
| Overseas trading subsidiaries | 7.9 | (0.5) | 7.5 | 12.2 | (0.2) | 12.1 | (4.3) | (0.3) | (4.6) |
| Total | 108.1 | (10.9) | 97.2 | 78.2 | (13.7) | 64.6 | + 29.8 | + 2.8 | + 32.6 |

(Unit : billion yen)

Major New Group Companies for the Third Quarter of Fiscal 2006 (October 1, 2005 - December 31, 2005)

| Segments | Name | Shares | Categories |
|---------------------------------------|-------------------------|-----------|---|
| Aerospace, Electronics & Multimedia | Asurion Japan K.K. | (20.00%) | Warranty service and insurance agency for cellular phones |
| Forest Products & General Merchandise | ICK TRADING CORPORATION | (100.00%) | Manufacture and wholesale of wood products |
| Forest Products & General Merchandise | ITR USA, Inc. | (100.00%) | Wholesale of tires in the U.S. |

Major Group Companies Reporting Profits (*1)

| (Unit : billion yen) | Apr-Dec 2005 | Apr-Dec 2004 |
|--|--------------|--------------|
| <Subsidiaries> | | |
| ITOCHU Minerals & Energy of Australia Pty Ltd (*2) | 22.4 | 8.6 |
| Prime Source Building Products, Inc. (*3) | 4.8 | 5.5 |
| ITOCHU Oil Exploration (Azerbaijan) Inc. | 3.0 | 1.3 |
| ITOCHU TECHNO-SCIENCE Corporation | 2.8 | 2.8 |
| ITOCHU Finance Corporation (*4)(*5) | 2.1 | 1.6 |
| ITOCHU PLASTICS INC. | 1.8 | 1.3 |
| ITOCHU Petroleum Japan Ltd. (*6) | 1.7 | 0.7 |
| ITOCHU Kenzai Corp. | 1.0 | 1.1 |
| ITOCHU Automobile America, Inc. | 0.9 | 0.8 |
| <Associated companies> | | |
| Marubeni-Itochu Steel Inc. | 13.2 | 8.2 |
| FamilyMart Co., Ltd. (*5) | 4.4 | 3.9 |
| Mazda Canada Inc. | 1.2 | 0.6 |
| BERKSHIRE OIL CO., LTD. (*6) | 1.1 | 0.0 |
| kabu.com Securities Co., Ltd. (*4) | 1.0 | 0.6 |
| ITOCHU ENEX CO., LTD. | 1.0 | 1.1 |
| AI Beverage Holding Co., Ltd. | 0.9 | 0.1 |
| Century Leasing System, Inc. | 0.9 | 0.8 |

Major Group Companies Reporting Losses (*1)

| (Unit : billion yen) | Apr-Dec 2005 | Apr-Dec 2004 |
|--------------------------------|--------------|--------------|
| <Subsidiaries> | | |
| On Demand TV, Inc. | (0.9) | 0.0 |
| ITOCHU AirLease B.V. | (0.5) | (0.7) |
| ILLUMS JAPAN CO., LTD. | (0.3) | (0.1) |
| ITOCHU Wool Ltd. (*2) | (0.2) | 0.2 |
| <Associated companies> | | |
| Famima Credit Corporation (*5) | (0.3) | (0.4) |
| Yoshinoya D&C Co., Ltd. | (0.2) | (0.4) |

Performance of Major Overseas Trading Subsidiaries

| (Unit : billion yen) | Apr-Dec 2005 | Apr-Dec 2004 |
|----------------------------------|--------------|--------------|
| ITOCHU International Inc. (*3) | 2.0 | 7.4 |
| ITOCHU Europe PLC. | (0.1) | (0.1) |
| ITOCHU Hong Kong Ltd. | 1.5 | 1.2 |
| ITOCHU (China) Holding Co., Ltd. | 1.1 | 0.7 |
| ITOCHU Australia Ltd. (*2) | 0.9 | 0.5 |

(*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 in conformity with Japan GAAP.

(*2) The net income of ITOCHU Australia Ltd. includes 3.7% of that of ITOCHU Minerals & Energy of Australia Pty Ltd and 35% of that of ITOCHU Wool 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 Finance Corporation and FamilyMart Co., Ltd. includes 14.5% and 10.3% of that of Famima Credit Corporation, respectively.

(*6) The net income of ITOCHU Petroleum Japan Ltd. includes 25% of that of BERKSHIRE OIL CO., LTD.

Consolidated Statements of Operations [Condensed]
ITOCHU Corporation and Subsidiaries
For the nine months ended December 31, 2005 and 2004

| | Millions of Yen | | | | Millions of U.S. dollars |
|---|-------------------|-------------------|-------------------------|-------------------|-----------------------------|
| | 2005 Apr.-Sep. | 2005 Oct.-Dec. | 2005 Apr.-Dec. | 2004 Apr.-Dec. | 2005 Apr.-Dec. |
| Revenue: | | | | | |
| Sales revenue | 842,929 | 458,041 | 1,300,970 | 1,082,655 | 11,019 |
| Trading margins and commissions on trading transactions..... | 195,858 | 104,427 | 300,285 | 292,433 | 2,543 |
| Total trading transactions : | | | | | |
| Apr.-Dec. 2005: 7,652,721 million yen (64,815 million U.S.dollars) | | | | | |
| Apr.-Dec. 2004: 6,968,162 million yen | | | | | |
| Total revenue..... | 1,038,787 | 562,468 | 1,601,255 | 1,375,088 | 13,562 |
| Cost of sales..... | (700,403) | (378,402) | (1,078,805) | (912,836) | (9,137) |
| Gross trading profit | 338,384 | 184,066 | 522,450 | 462,252 | 4,425 |
| Selling, general and administrative expenses | (245,583) | (129,003) | (374,586) | (342,179) | (3,173) |
| Provision for doubtful receivables | (3,505) | (9,709) | (13,214) | (3,692) | (112) |
| Interest income | 6,536 | 3,105 | 9,641 | 8,251 | 82 |
| Interest expense | (18,849) | (10,344) | (29,193) | (24,749) | (247) |
| Dividends received..... | 8,823 | 4,477 | 13,300 | 10,184 | 113 |
| Gain on disposal of investments and marketable securities, including write-down..... | 9,749 | 28,604 | 38,353 | 336 | 325 |
| Gain (loss) on property and equipment-net..... | (704) | 238 | (466) | 410 | (4) |
| Other-net | (11,712) | (4,301) | (16,013) | (811) | (136) |
| | <u>(255,245)</u> | <u>(116,933)</u> | <u>(372,178)</u> | <u>(352,250)</u> | <u>(3,152)</u> |
| Income before income taxes, minority interests and equity in earnings of associated companies..... | 83,139 | 67,133 | 150,272 | 110,002 | 1,273 |
| Income taxes | (39,402) | (31,361) | (70,763) | (56,841) | (600) |
| Income before minority interests and equity in earnings of associated companies..... | 43,737 | 35,772 | 79,509 | 53,161 | 673 |
| Minority interests | (5,217) | (2,727) | (7,944) | (7,897) | (67) |
| Equity in earnings of associated companies..... | 26,760 | 14,917 | 41,677 | 25,148 | 353 |
| Net income | <u>65,280</u> | <u>47,962</u> | <u>113,242</u> | <u>70,412</u> | <u>959</u> |
| Comprehensive income: | | | | | |
| Net income..... | 65,280 | 47,962 | 113,242 | 70,412 | 959 |
| Other comprehensive income (loss) (net of tax): | | | | | |
| Net change in foreign currency translation adjustments during the period..... | 16,500 | 10,656 | 27,156 | 8,774 | 230 |
| Minimum pension liability adjustments..... | 58 | 25 | 83 | (1,494) | 1 |
| Net change in unrealized holding gains on securities during the period..... | 26,312 | 20,269 | 46,581 | 6,200 | 394 |
| Net change in unrealized holding gains (losses) on derivative instruments during the period..... | 3,458 | (3,034) | 424 | (1,097) | 4 |
| Total other comprehensive income..... | 46,328 | 27,916 | 74,244 | 12,383 | 629 |
| Total..... | <u>111,608</u> | <u>75,878</u> | <u>187,486</u> | <u>82,795</u> | <u>1,588</u> |

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) | <u>Apr-Dec 2005</u> | <u>Apr-Dec 2004</u> | <u>Increase (Decrease)</u> | <u>Reasons for changes</u> | | |
| | Revenue | 1,601.3 | 1,375.1 | 226.2 | Increase in resource-related transactions due to high market prices | | |
| Gross trading profit | (Unit : billion yen) | <u>Apr-Dec 2005</u> | <u>Apr-Dec 2004</u> | <u>Increase (Decrease)</u> | Refer to page 8-9 "Segment Information" Increase due to strong performance in ITOCHU Corporation and existing subsidiaries : +47.1 Effect of newly consolidated subsidiaries : +15.0 Effect of leaving from subsidiaries : -3.4 Effect of exchange rate fluctuations : +1.5 | | |
| | Gross trading profit | 522.5 | 462.3 | 60.2 | | | |
| Selling, general and administrative expenses | (Unit : billion yen) | <u>Apr-Dec 2005</u> | <u>Apr-Dec 2004</u> | <u>Increase (Decrease)</u> | Pension expenses: -1.2 Increase accompanied by expansion of business in existing subsidiaries : -24.1 Effect of newly consolidated subsidiaries : -10.1 Effect of leaving from subsidiaries : +2.9 Effect of exchange rate fluctuations : +0 | | |
| | Personnel expenses (including pension expenses) | (166.4) (7.7) | (153.2) (6.6) | (13.2) (1.2) | | | |
| | Service charge, distribution costs | (88.7) | (78.0) | (10.7) | | | |
| | Rent, depreciation and amortization | (43.6) | (42.0) | (1.6) | | | |
| | Travel expenses | (15.5) | (14.4) | (1.1) | | | |
| | Others | (60.4) | (54.5) | (5.9) | | | |
| | Other expenses | (208.2) | (188.9) | (19.2) | | | |
| Total | (374.6) | (342.2) | (32.4) | | | | |
| Provision for doubtful receivables | (Unit : billion yen) | <u>Apr-Dec 2005</u> | <u>Apr-Dec 2004</u> | <u>Increase (Decrease)</u> | Additional provision for Iraq receivables -10.1 | | |
| | Provision for doubtful receivables | (13.2) | (3.7) | (9.5) | | | |
| Net financial expenses | (Unit : billion yen) | <u>Apr-Dec 2005</u> | <u>Apr-Dec 2004</u> | <u>Increase (Decrease)</u> | (Average) <u>Apr-Dec 2005</u> <u>Apr-Dec 2004</u> <u>Changes</u> | | |
| | Net financial expenses | (6.3) | (6.3) | 0.1 | Short-term prime 1.375% 1.375% - Long-term prime 1.619% 1.727% (0.108%) LIBOR US\$ 3M 3.310% 1.398% 1.912% | | |
| | Interest income | 9.6 | 8.3 | 1.4 | Effect of rising U.S. loan interest rates Dividends received from LNG-related investments +2.1 (5.5 → -7.6) | | |
| | Interest expense | (29.2) | (24.7) | (4.4) | | | |
| | Net interest expenses | (19.6) | (16.5) | (3.1) | | | |
| Dividends received | 13.3 | 10.2 | 3.1 | | | | |
| Gain on disposal of investments and marketable securities, including write-down | (Unit : billion yen) | <u>Apr-Dec 2005</u> | <u>Apr-Dec 2004</u> | <u>Increase (Decrease)</u> | Net gains on disposal of securities +34.0 (5.4 → 39.4) [Gain on disposal of U.S. healthcare-related securities +10.8], Devaluation losses on securities +2.0 (-3.0 → -1.0), Losses for liquidation of businesses and others +2.0 (-2.0 → -0.1) | | |
| | Gain on disposal of investments and marketable securities, including write-down | 38.4 | 0.3 | 38.0 | | | |
| Gain (loss) on property and equipment-net | (Unit : billion yen) | <u>Apr-Dec 2005</u> | <u>Apr-Dec 2004</u> | <u>Increase (Decrease)</u> | Impairment losses on fixed assets -1.8 (-0.5 → -2.3), Net gains on disposal of fixed assets +0.9 (0.9 → 1.8) | | |
| | Gain (loss) on property and equipment-net | (0.5) | 0.4 | (0.9) | | | |
| Other-net | (Unit : billion yen) | <u>Apr-Dec 2005</u> | <u>Apr-Dec 2004</u> | <u>Increase (Decrease)</u> | Legal settlement of an overseas trading subsidiary in the U.S. -19.5 | | |
| | Other-net | (16.0) | (0.8) | (15.2) | | | |
| Minority interests | (Unit : billion yen) | <u>Apr-Dec 2005</u> | <u>Apr-Dec 2004</u> | <u>Increase (Decrease)</u> | | | |
| | Minority interests | (7.9) | (7.9) | (0.0) | | | |
| Equity in earnings of associated companies | (Unit : billion yen) | <u>Apr-Dec 2005</u> | <u>Apr-Dec 2004</u> | <u>Increase (Decrease)</u> | Contribution of a steel products-related associated company and a new finance-related associated company Refer to page 2 "Performance of Group Companies" | | |
| | Equity in earnings of associated companies | 41.7 | 25.1 | 16.5 | | | |
| Total trading transactions | (Unit : billion yen) | <u>Apr-Dec 2005</u> | <u>Apr-Dec 2004</u> | <u>Increase (Decrease)</u> | Refer to page 8-9 "Segment Information" (Note) Effect of yen's depreciation against U.S. dollar : Approximately +16.0 | | |
| | Total trading transactions | 7,652.7 | 6,968.2 | 684.6 | | | |
| | Gross trading profit ratio | 6.83% | 6.63% | 0.19% | | | |
| Adjusted profit | (Unit : billion yen) | <u>Apr-Dec 2005</u> | <u>Apr-Dec 2004</u> | <u>Increase (Decrease)</u> | (*) The amount () presents changes from the same period of the previous fiscal year Adjusted profit(*) (+44.4) = Gross trading profit (+60.2) + SG&A expenses (-32.4) + Net financial expenses (+0.1) + Equity in earnings of associated companies (+16.5) | | |
| | Adjusted profit | 183.3 | 138.9 | 44.4 | | | |
| | [Average exchange rate Yen/US\$] | [For March closing companies] | | [For December closing companies] | | | |
| | | <u>Apr-Dec 2005</u> | <u>Apr-Dec 2004</u> | <u>Changes</u> | <u>Jan-Sep 2005</u> | <u>Jan-Sep 2004</u> | <u>Changes</u> |
| | | 110.64 | 109.18 | +1.46 | 107.05 | 108.82 | (1.77) |
| | | <u>Apr-Dec 2004</u> | <u>Apr-Dec 2003</u> | <u>Changes</u> | <u>Jan-Sep 2004</u> | <u>Jan-Sep 2003</u> | <u>Changes</u> |
| | | 109.18 | 116.09 | (6.91) | 108.82 | 119.02 | (10.20) |

Consolidated Balance Sheets (Assets) [Condensed]

ITOCHU Corporation and Subsidiaries

as of December 31, 2005 and March 31, 2005

| Assets | Millions of Yen | | Millions of U.S. dollars |
|---|------------------|-----------|-----------------------------|
| | Dec. 2005 | Mar. 2005 | Dec. 2005 |
| Current assets: | | | |
| Cash and cash equivalents..... | 433,234 | 452,934 | 3,669 |
| Time deposits..... | 4,403 | 2,684 | 37 |
| Marketable securities..... | 60,813 | 49,149 | 515 |
| Trade receivables: | | | |
| Notes..... | 211,949 | 155,593 | 1,795 |
| Accounts..... | 1,145,094 | 950,482 | 9,699 |
| Allowance for doubtful receivables..... | (18,066) | (20,222) | (153) |
| Net trade receivables..... | 1,338,977 | 1,085,853 | 11,341 |
| Due from associated companies..... | 112,152 | 90,174 | 950 |
| Inventories..... | 483,210 | 420,069 | 4,093 |
| Advances to suppliers..... | 121,903 | 86,453 | 1,032 |
| Prepaid expenses..... | 29,826 | 22,878 | 253 |
| Deferred tax assets..... | 33,523 | 40,096 | 284 |
| Other current assets..... | 195,115 | 191,605 | 1,652 |
| Total current assets..... | 2,813,156 | 2,441,895 | 23,826 |
| Investments and non-current receivables: | | | |
| Investments in and advances to associated companies..... | 610,491 | 472,468 | 5,171 |
| Other investments..... | 522,054 | 441,783 | 4,421 |
| Other non-current receivables..... | 260,938 | 329,582 | 2,210 |
| Allowance for doubtful receivables..... | (149,009) | (143,229) | (1,262) |
| Net investments and non-current receivables..... | 1,244,474 | 1,100,604 | 10,540 |
| Property and equipment, at cost: | | | |
| Land..... | 162,765 | 165,148 | 1,379 |
| Buildings..... | 313,632 | 310,907 | 2,656 |
| Machinery and equipment..... | 286,546 | 250,298 | 2,427 |
| Furniture and fixtures..... | 52,010 | 49,217 | 441 |
| Mineral rights..... | 42,074 | 28,230 | 356 |
| Construction in progress..... | 10,424 | 4,482 | 88 |
| Total property and equipment, at cost..... | 867,451 | 808,282 | 7,347 |
| Less accumulated depreciation..... | 334,935 | 310,924 | 2,837 |
| Net property and equipment..... | 532,516 | 497,358 | 4,510 |
| Prepaid pension cost..... | 185,121 | 178,890 | 1,568 |
| Deferred tax assets, non-current..... | 69,219 | 109,085 | 586 |
| Other assets..... | 132,996 | 144,513 | 1,127 |
| Total..... | 4,977,482 | 4,472,345 | 42,157 |

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]

ITOCHU Corporation and Subsidiaries

as of December 31, 2005 and March 31, 2005

| Liabilities and Stockholders' Equity | Millions of Yen | | Millions of U.S. dollars |
|--|------------------|-----------|-----------------------------|
| | Dec. 2005 | Mar. 2005 | Dec. 2005 |
| Current liabilities: | | | |
| Short-term debt | 442,140 | 421,697 | 3,745 |
| Current maturities of long-term debt..... | 214,627 | 255,173 | 1,818 |
| Trade payables: | | | |
| Notes and acceptances..... | 166,237 | 161,798 | 1,408 |
| Accounts..... | 1,016,154 | 805,150 | 8,606 |
| Total trade payables..... | 1,182,391 | 966,948 | 10,014 |
| Due to associated companies..... | 32,816 | 42,050 | 278 |
| Accrued expenses..... | 111,416 | 98,136 | 944 |
| Income taxes payable..... | 37,495 | 24,032 | 317 |
| Advances from customers..... | 130,019 | 90,153 | 1,101 |
| Deferred tax liabilities..... | 1,083 | 802 | 9 |
| Other current liabilities..... | 181,244 | 161,148 | 1,535 |
| Total current liabilities | 2,333,231 | 2,060,139 | 19,761 |
| Long-term debt, excluding current maturities..... | 1,801,800 | 1,750,815 | 15,261 |
| Accrued retirement and severance benefits..... | 21,810 | 22,405 | 185 |
| Deferred tax liabilities, non-current..... | 16,345 | 11,653 | 138 |
| Commitments and contingent liabilities | | | |
| Minority interests..... | 124,165 | 116,936 | 1,052 |
| Stockholders' equity: | | | |
| Common stock: | | | |
| Authorized 3,000,000,000 shares; | | | |
| Issued: | | | |
| 1,584,889,504 shares | 202,241 | 202,241 | 1,713 |
| Capital surplus | 137,032 | 137,024 | 1,161 |
| Retained earnings: | | | |
| Legal reserve | 5,712 | 3,927 | 48 |
| Other retained earnings | 278,312 | 184,273 | 2,357 |
| Total retained earnings | 284,024 | 188,200 | 2,405 |
| Accumulated other comprehensive income (loss): | | | |
| Foreign currency translation adjustments..... | (36,263) | (63,419) | (307) |
| Minimum pension liability adjustments..... | (1,964) | (2,047) | (17) |
| Unrealized holding gains on securities..... | 99,327 | 52,746 | 841 |
| Unrealized holding losses on derivative instruments..... | (3,098) | (3,522) | (26) |
| Total accumulated other comprehensive income (loss)... | 58,002 | (16,242) | 491 |
| Treasury stock, at cost..... | (1,168) | (826) | (10) |
| Total stockholders' equity | 680,131 | 510,397 | 5,760 |
| Total | 4,977,482 | 4,472,345 | 42,157 |

[Explanation for Consolidated Balance Sheets]

Total assets as of December 31, 2005 increased by 505.1 billion yen from March 31, 2005, to 4,977.5 billion yen (42,157 million U.S. dollars) due to increase in trade receivables and investments. The former increased due to year-end sales and rising prices of chemicals and energy related materials and products, the latter increased due to additional acquisition of Orient Corporation stocks and rising in stock prices of available-for-sale securities.

Assets

| | | (Unit: billion yen) | | | Reasons for changes |
|---|-----|---------------------|----------|------------------------|--|
| | | Dec 2005 | Mar 2005 | Increase (Decrease) | |
| Net trade receivables | ... | 1,339.0 | 1,085.9 | 253.1 | Mainly increase in Energy; Chemicals; Forest Products & General Merchandise; and Food |
| Inventories | ... | 483.2 | 420.1 | 63.1 | Mainly increase in Aerospace, Electronics & Multimedia; Energy, and Food |
| Advances to suppliers | ... | 121.9 | 86.5 | 35.5 | Mainly increase in Machinery and Aerospace, Electronics & Multimedia |
| Investments in and advances to associated companies | ... | 610.5 | 472.5 | 138.0 | Mainly increase in investment in Orient Corporation |
| Other investments | ... | 522.1 | 441.8 | 80.3 | Increase due to acquisition of rights related to new energy resources and rise in stock prices |
| Other non-current receivables (after deducting allowance for doubtful receivables) | ... | 111.9 | 186.4 | (74.4) | Decrease due to effect of disposal of U.S. healthcare-related securities |

Liabilities

| | | (Unit: billion yen) | | | Reasons for changes |
|---|-----|---------------------|----------|------------------------|---|
| | | Dec 2005 | Mar 2005 | Increase (Decrease) | |
| Trade payables | ... | 1,182.4 | 966.9 | 215.4 | Mainly increase in Energy; Chemicals; Forest Products & General Merchandise; and Food |
| Advances from customers | ... | 130.0 | 90.2 | 39.9 | Mainly increase in Machinery and Aerospace, Electronics & Multimedia |
| [Interest-bearing debts] | | | | | |
| Short-term loans payable | ... | 442.1 | 421.7 | 20.4 | |
| Current maturities of long-term loans payable | ... | 157.6 | 160.5 | (2.9) | |
| Current maturities of debentures | ... | 57.0 | 94.6 | (37.7) | |
| Short-term total | ... | 656.8 | 676.9 | (20.1) | |
| Long-term loans payable | ... | 1,551.9 | 1,472.7 | 79.2 | |
| Debentures | ... | 162.2 | 186.0 | (23.8) | |
| Long-term total | ... | 1,714.1 | 1,658.7 | 55.3 | |
| Total interest-bearing debts | ... | 2,370.8 | 2,335.6 | 35.2 | |
| SFAS 133 fair value adjustment | ... | 1.2 | 11.1 | (9.9) | |
| Adjusted total interest-bearing debts | ... | 2,372.1 | 2,346.7 | 25.3 | |
| Cash, cash equivalents and time deposits | ... | 437.6 | 455.6 | (18.0) | |
| Net interest-bearing debts | ... | 1,934.4 | 1,891.1 | 43.3 | |
| Net debt-to-equity ratio [times] | ... | 2.8 | 3.7 | (0.9) | |

Stockholders' equity

| | | (Unit: billion yen) | | | Reasons for changes |
|---|-----|---------------------|----------|------------------------|--|
| | | Dec 2005 | Mar 2005 | Increase (Decrease) | |
| Common stock | ... | 202.2 | 202.2 | - | |
| Capital surplus | ... | 137.0 | 137.0 | 0.0 | |
| Retained earnings: | ... | 284.0 | 188.2 | 95.8 | |
| Legal reserve | ... | 5.7 | 3.9 | 1.8 | |
| Other retained earnings | ... | 278.3 | 184.3 | 94.0 | Net income +113.2, Distribution of dividends -17.4, Transfer to legal reserve -1.8 |
| Accumulated other comprehensive income (loss): | ... | 58.0 | (16.2) | 74.2 | |
| Foreign currency translation adjustments | ... | (36.3) | (63.4) | 27.2 | Effect of yen's depreciation against U.S. dollar |
| Minimum pension liability adjustments | ... | (2.0) | (2.0) | 0.1 | |
| Unrealized holding gains on securities | ... | 99.3 | 52.7 | 46.6 | Effect of rise in stock prices |
| Unrealized holding losses on derivative instruments | ... | (3.1) | (3.5) | 0.4 | |
| Treasury stock, at cost | ... | (1.2) | (0.8) | (0.3) | |
| Total stockholders' equity | ... | 680.1 | 510.4 | 169.7 | |
| Ratio of stockholders' equity | ... | 13.7% | 11.4% | 2.3% | |

[Current exchange rate Yen/US\$]

[For March closing companies]

[For December closing companies]

| | Dec 2005 | Mar 2005 | Changes | Sep 2005 | Dec 2004 | Changes |
|--|----------|----------|---------|----------|----------|---------|
| | 118.07 | 107.39 | +10.68 | 113.19 | 104.21 | +8.98 |
| | Dec 2004 | Mar 2004 | Changes | Sep 2004 | Dec 2003 | Changes |
| | 104.21 | 105.69 | (1.48) | 111.05 | 107.13 | +3.92 |

Segment Information

ITOCHU Corporation and Subsidiaries

For the nine months ended December 31, 2005 and 2004

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 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 nine months ended December 31, 2005 and 2004 is as follows:

| For the nine months ended December 31, 2005 (April 1, 2005 -December 31, 2005) | | | | | | | | | Millions of Yen |
|--|-----------|---|---------------------------------|--|-----------|---|--|--------------|-----------------|
| 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 | 613,341 | 1,028,417 | 457,578 | 2,055,783 | 1,467,033 | 1,656,142 | 165,959 | 208,468 | 7,652,721 |
| Transfers between operating segments .. | 818 | 294 | 2,653 | 930 | 4,221 | 229 | 4,350 | (13,495) | - |
| Total trading transactions | 614,159 | 1,028,711 | 460,231 | 2,056,713 | 1,471,254 | 1,656,371 | 170,309 | 194,973 | 7,652,721 |
| Gross trading profit | 89,044 | 50,166 | 78,650 | 55,639 | 82,279 | 109,703 | 31,846 | 25,123 | 522,450 |
| Net income | 10,639 | 9,476 | 9,917 | 46,846 | 14,756 | 16,252 | 8,179 | (2,823) | 113,242 |
| [Equity in earnings | | | | | | | | | |
| of associated companies]..... | (56) | [5,185] | [746] | [17,830] | [2,283] | [9,162] | [6,503] | [24] | [41,677] |
| Identifiable assets at December 31 | 405,858 | 507,911 | 520,864 | 659,220 | 705,685 | 877,317 | 648,193 | 652,434 | 4,977,482 |

| For the nine months ended December 31, 2004 (April 1, 2004 -December 31, 2004) | | | | | | | | | Millions of Yen |
|--|-----------|---|---------------------------------|--|-----------|---|--|--------------|-----------------|
| 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 | 611,111 | 863,075 | 430,118 | 1,719,503 | 1,383,932 | 1,636,101 | 144,130 | 180,192 | 6,968,162 |
| Transfers between operating segments .. | 717 | 98 | 2,689 | 631 | 4,998 | 205 | 4,696 | (14,034) | - |
| Total trading transactions | 611,828 | 863,173 | 432,807 | 1,720,134 | 1,388,930 | 1,636,306 | 148,826 | 166,158 | 6,968,162 |
| Gross trading profit | 82,808 | 42,101 | 76,293 | 29,008 | 78,753 | 104,158 | 25,143 | 23,988 | 462,252 |
| Net income | 11,160 | 7,847 | 10,473 | 18,373 | 20,022 | 13,045 | 1,320 | (11,828) | 70,412 |
| [Equity in earnings | | | | | | | | | |
| of associated companies]..... | [292] | [3,577] | [848] | [8,711] | [4,029] | [7,436] | [1,579] | [(1,324)] | [25,148] |
| Identifiable assets at December 31 | 398,356 | 439,135 | 500,559 | 533,638 | 661,306 | 845,576 | 603,472 | 676,906 | 4,658,948 |
| Identifiable assets at March 31, 2005 | 377,230 | 451,442 | 489,415 | 491,012 | 583,720 | 727,959 | 615,304 | 736,263 | 4,472,345 |

| For the nine months ended December 31, 2005 (April 1, 2005 -December 31, 2005) | | | | | | | | | Millions of U.S.dollars |
|--|-----------|---|---------------------------------|--|--------|---|--|--------------|-------------------------|
| 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 | 5,195 | 8,710 | 3,876 | 17,411 | 12,425 | 14,027 | 1,405 | 1,766 | 64,815 |
| Transfers between operating segments .. | 7 | 3 | 22 | 8 | 36 | 2 | 37 | (115) | - |
| Total trading transactions | 5,202 | 8,713 | 3,898 | 17,419 | 12,461 | 14,029 | 1,442 | 1,651 | 64,815 |
| Gross trading profit | 754 | 425 | 666 | 471 | 697 | 929 | 270 | 213 | 4,425 |
| Net income | 90 | 80 | 84 | 397 | 125 | 138 | 69 | (24) | 959 |
| [Equity in earnings | | | | | | | | | |
| of associated companies]..... | [(0)] | [44] | [6] | [151] | [19] | [78] | [55] | [0] | [353] |
| Identifiable assets at December 31 | 3,437 | 4,302 | 4,412 | 5,583 | 5,977 | 7,430 | 5,490 | 5,526 | 42,157 |

Note :

- "Equity in earnings of associated companies" is included in Net income.
- "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]

| Total trading transactions | (Unit : billion yen) | | Increase | | Reasons for changes |
|--|----------------------|----------------|--------------|-----|--|
| | Apr-Dec 2005 | Apr-Dec 2004 | (Decrease) | | |
| Textile | 613.3 | 611.1 | 2.2 | ... | Increase due to contribution of a newly consolidated men's apparel-related subsidiary, though decrease in up/midstream |
| Machinery | 1,028.4 | 863.1 | 165.3 | ... | Increase in plant and automobile transactions |
| Aerospace, Electronics & Multimedia | 457.6 | 430.1 | 27.5 | ... | Increase due to good performance in aerospace-related business and cellular phone sales business |
| Energy, Metals & Minerals | 2,055.8 | 1,719.5 | 336.3 | ... | Increase due to rising prices in coal, iron ore, and crude oil |
| Chemicals, Forest Products & General Merchandise | 1,467.0 | 1,383.9 | 83.1 | ... | Increase due to high level of market prices of chemicals, steady growth in housing material-related transactions in North America, and contribution of newly consolidated subsidiaries |
| Food | 1,656.1 | 1,636.1 | 20.0 | ... | Increase due to contribution of newly consolidated subsidiaries in addition to transaction increase in food distribution business |
| Finance, Realty, Insurance & Logistics Services | 166.0 | 144.1 | 21.8 | ... | Increase due to overseas brokerage transactions in addition to increase in condominium sales in construction |
| Other, Adjustments & Eliminations | 208.5 | 180.2 | 28.3 | ... | Increase in overseas trading subsidiaries in Asia |
| Total | 7,652.7 | 6,968.2 | 684.6 | | |
| Gross trading profit | (Unit : billion yen) | | Increase | | Reasons for changes |
| | Apr-Dec 2005 | Apr-Dec 2004 | (Decrease) | | |
| Textile | 89.0 | 82.8 | 6.2 | ... | Increase due to contribution of a newly consolidated men's apparel-related subsidiary, though decrease in up/midstream |
| Machinery | 50.2 | 42.1 | 8.1 | ... | Increase due to expansion of automobile business in Europe & U.S. and good performance in construction machinery business in North America |
| Aerospace, Electronics & Multimedia | 78.7 | 76.3 | 2.4 | ... | Increase due to improvement of profit margin in IT business in addition to contribution of an aerospace-related subsidiary |
| Energy, Metals & Minerals | 55.6 | 29.0 | 26.6 | ... | Increase due to rising prices in coal, iron ore, and crude oil |
| Chemicals, Forest Products & General Merchandise | 82.3 | 78.8 | 3.5 | ... | Increase due to good performance of domestic chemical-related subsidiaries, and contribution of newly consolidated subsidiaries |
| Food | 109.7 | 104.2 | 5.5 | ... | Increase due to acquisition of subsidiaries in addition to transactional income increase in food distribution business and profit improvement in foodstuff subsidiaries |
| Finance, Realty, Insurance & Logistics Services | 31.8 | 25.1 | 6.7 | ... | Increase due to profit growth in finance-related business and distribution subsidiaries in addition to condominium sales increase |
| Other, Adjustments & Eliminations | 25.1 | 24.0 | 1.1 | ... | Increase in overseas trading subsidiaries in Asia |
| Total | 522.5 | 462.3 | 60.2 | | |
| Net income | (Unit : billion yen) | | Increase | | Reasons for changes |
| | Apr-Dec 2005 | Apr-Dec 2004 | (Decrease) | | |
| Textile | 10.6 | 11.2 | (0.5) | ... | Decrease due to low performance of overseas subsidiaries |
| Machinery | 9.5 | 7.8 | 1.6 | ... | Increase in gains on disposal of investment securities and equity in earnings of shipping-related associated companies, in spite of additional provision for Iraq receivables |
| Aerospace, Electronics & Multimedia | 9.9 | 10.5 | (0.6) | ... | Decrease due to increase in SG&A for new multimedia-related business |
| Energy, Metals & Minerals | 46.8 | 18.4 | 28.5 | ... | Increase in gross trading profit, and good performance of a steel products-related associated company |
| Chemicals, Forest Products & General Merchandise | 14.8 | 20.0 | (5.3) | ... | Decrease due to additional provision for Iraq receivables, increase in SG&A, and decrease in equity in earnings of associated companies |
| Food | 16.3 | 13.0 | 3.2 | ... | Increase in profit on investment securities, and equity in earnings of associated companies, though increase in SG&A and provision for doubtful receivables |
| Finance, Realty, Insurance & Logistics Services | 8.2 | 1.3 | 6.9 | ... | Increase in gross trading profit, contribution of a new finance-related associated company, and gains on disposal of investment securities |
| Other, Adjustments & Eliminations | (2.8) | (11.8) | 9.0 | ... | Increase due to gains on disposal of investment securities, and a reduction of income taxes despite decrease due to a legal settlement of an overseas trading subsidiary in the U.S. |
| Total | 113.2 | 70.4 | 42.8 | | |
| Identifiable assets | (Unit : billion yen) | | Increase | | Reasons for changes |
| | Dec. 2005 | Mar. 2005 | (Decrease) | | |
| Textile | 405.9 | 377.2 | 28.6 | ... | Increase due to new investments and increase of unrealized holding gains on listed stocks, and seasonal factors |
| Machinery | 507.9 | 451.4 | 56.5 | ... | Increase in trade receivables due to increase in plant and automobile transactions |
| Aerospace, Electronics & Multimedia | 520.9 | 489.4 | 31.4 | ... | Temporary increase in trade receivables due to good performance of cellular phone sales business around the end of the year |
| Energy, Metals & Minerals | 659.2 | 491.0 | 168.2 | ... | Increase in trade receivables of energy due to rising crude oil price |
| Chemicals, Forest Products & General Merchandise | 705.7 | 583.7 | 122.0 | ... | Increase in trade receivables due to high market prices |
| Food | 877.3 | 728.0 | 149.4 | ... | Increase in trade receivables due to year-end sales |
| Finance, Realty, Insurance & Logistics Services | 648.2 | 615.3 | 32.9 | ... | Increase due to an investment in the finance-related associated company |
| Other, Adjustments & Eliminations | 652.4 | 736.3 | (83.8) | ... | Decrease in cash and cash equivalents, and sales of subsidiaries of overseas trading subsidiaries |
| Total | 4,977.5 | 4,472.3 | 505.1 | | |

Consolidated Statements of Operations [Condensed]

ITOCHU Corporation and Subsidiaries

For the three months ended December 31, 2005 and 2004 (Third quarter of fiscal 2006 and 2005)

| | Millions of Yen | | Millions of U.S. dollars |
|---|-----------------|----------------|-----------------------------|
| | Oct.-Dec. 2005 | Oct.-Dec. 2004 | Oct.-Dec. 2005 |
| Revenue: | | | |
| Sales revenue | 458,041 | 371,464 | 3,879 |
| Trading margins and commissions on trading transactions.... | 104,427 | 96,758 | 885 |
| Total trading transactions : | | | |
| Oct.-Dec. 2005: 2,637,592 million yen (22,339 million U.S.dollars) | | | |
| Oct.-Dec. 2004: 2,365,015 million yen | | | |
| Total revenue..... | 562,468 | 468,222 | 4,764 |
| Cost of sales..... | (378,402) | (309,738) | (3,205) |
| Gross trading profit | 184,066 | 158,484 | 1,559 |
| Selling, general and administrative expenses | (129,003) | (116,310) | (1,092) |
| Provision for doubtful receivables..... | (9,709) | (1,868) | (82) |
| Interest income | 3,105 | 2,658 | 26 |
| Interest expense | (10,344) | (7,876) | (88) |
| Dividends received..... | 4,477 | 3,361 | 38 |
| Gain on disposal of investments and marketable securities, including write-down..... | 28,604 | 3,546 | 242 |
| Gain on property and equipment-net..... | 238 | 236 | 2 |
| Other-net..... | (4,301) | (1,873) | (36) |
| | (116,933) | (118,126) | (990) |
| Income before income taxes, minority interests and equity in earnings of associated companies..... | 67,133 | 40,358 | 569 |
| Income taxes..... | (31,361) | (18,310) | (266) |
| Income before minority interests and equity in earnings of associated companies..... | 35,772 | 22,048 | 303 |
| Minority interests | (2,727) | (3,261) | (23) |
| Equity in earnings of associated companies | 14,917 | 7,490 | 126 |
| Net income..... | 47,962 | 26,277 | 406 |
| Comprehensive income: | | | |
| Net income..... | 47,962 | 26,277 | 406 |
| Other comprehensive income (loss) (net of tax): | | | |
| Net change in foreign currency translation adjustments during the period..... | 10,656 | 4,948 | 90 |
| Minimum pension liability adjustments..... | 25 | (20) | 0 |
| Net change in unrealized holding gains on securities during the period..... | 20,269 | 4,449 | 172 |
| Net change in unrealized holding losses on derivative instruments during the period..... | (3,034) | (557) | (25) |
| Total other comprehensive income..... | 27,916 | 8,820 | 237 |
| Total..... | 75,878 | 35,097 | 643 |

Note :

1. Consolidated statements of operations have been prepared in conformity with accounting principles generally accepted in the United States of America.
2. "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.

Segment Information

ITOCHU Corporation and Subsidiaries

For the three months ended December 31, 2005 and 2004 (Third quarter of fiscal 2006 and 2005)

Information concerning operations in different operating segments for the third quarter of fiscal 2006 and 2005 is as follows:

| For the third quarter of fiscal 2006 (October 1, 2005 -December 31, 2005) | | | | | | | | | Millions of Yen |
|---|-----------|---|---------------------------------|--|---------|---|--|--------------|-----------------|
| 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 | 206,766 | 324,051 | 156,812 | 748,086 | 517,304 | 560,322 | 49,864 | 74,387 | 2,637,592 |
| Transfers between operating segments ... | 239 | 114 | 1,051 | 222 | 1,477 | 80 | 1,397 | (4,580) | - |
| Total trading transactions | 207,005 | 324,165 | 157,863 | 748,308 | 518,781 | 560,402 | 51,261 | 69,807 | 2,637,592 |
| Gross trading profit | 29,724 | 17,932 | 26,961 | 22,491 | 29,384 | 37,366 | 10,997 | 9,211 | 184,066 |
| Net income | 3,329 | 3,513 | 4,045 | 18,069 | 6,021 | 6,671 | 3,501 | 2,813 | 47,962 |
| [Equity in earnings of associated companies]..... | [(328)] | [2,181] | [259] | [5,733] | [1,049] | [3,458] | [2,649] | [(84)] | [14,917] |
| Identifiable assets at December 31..... | 405,858 | 507,911 | 520,864 | 659,220 | 705,685 | 877,317 | 648,193 | 652,434 | 4,977,482 |

| For the third quarter of fiscal 2005 (October 1, 2004 -December 31, 2004) | | | | | | | | | Millions of Yen |
|---|-----------|---|---------------------------------|--|---------|---|--|--------------|-----------------|
| 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 | 206,548 | 293,947 | 143,555 | 569,124 | 490,563 | 548,780 | 49,130 | 63,368 | 2,365,015 |
| Transfers between operating segments ... | 185 | (33) | 1,901 | 236 | 1,870 | 78 | 2,065 | (6,302) | - |
| Total trading transactions | 206,733 | 293,914 | 145,456 | 569,360 | 492,433 | 548,858 | 51,195 | 57,066 | 2,365,015 |
| Gross trading profit | 28,181 | 13,391 | 26,192 | 9,818 | 28,291 | 35,554 | 8,551 | 8,506 | 158,484 |
| Net income | 3,512 | 2,288 | 6,135 | 5,648 | 6,891 | 3,892 | 393 | (2,482) | 26,277 |
| [Equity in earnings of associated companies]..... | [134] | [881] | [369] | [1,750] | [1,314] | [2,405] | [680] | [(43)] | [7,490] |
| Identifiable assets at December 31..... | 398,356 | 439,135 | 500,559 | 533,638 | 661,306 | 845,576 | 603,472 | 676,906 | 4,658,948 |
| Identifiable assets at March 31, 2005..... | 377,230 | 451,442 | 489,415 | 491,012 | 583,720 | 727,959 | 615,304 | 736,263 | 4,472,345 |

| For the third quarter of fiscal 2006 (October 1, 2005 -December 31, 2005) | | | | | | | | | Millions of U.S.dollars |
|---|-----------|---|---------------------------------|--|-------|---|--|--------------|----------------------------|
| 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 | 1,751 | 2,745 | 1,328 | 6,336 | 4,381 | 4,746 | 422 | 630 | 22,339 |
| Transfers between operating segments ... | 2 | 1 | 9 | 2 | 13 | 0 | 12 | (39) | - |
| Total trading transactions | 1,753 | 2,746 | 1,337 | 6,338 | 4,394 | 4,746 | 434 | 591 | 22,339 |
| Gross trading profit | 252 | 152 | 228 | 191 | 249 | 316 | 93 | 78 | 1,559 |
| Net income | 28 | 30 | 34 | 153 | 51 | 56 | 30 | 24 | 406 |
| [Equity in earnings of associated companies]..... | [(3)] | [19] | [2] | [49] | [9] | [29] | [22] | [(1)] | [126] |
| Identifiable assets at December 31..... | 3,437 | 4,302 | 4,412 | 5,583 | 5,977 | 7,430 | 5,490 | 5,526 | 42,157 |

Note :

- "Equity in earnings of associated companies" is included in Net income.
- "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.