

## SEMI-ANNUAL FINANCIAL STATEMENTS

For the six months ended September 30, 2005 and 2004

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## Consolidated Financial Results for the Six Months Ended September 30, 2005

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

### ITOCHU Corporation

Stock Exchange Code No.8001

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

1-3, Kyutaromachi, 4-chome, Chuo-ku, Osaka

President & CEO : Eizo Kobayashi

Investor Relations Contacts :

General Manager : Yoshiharu Matsumoto

(Tokyo) Corporate Communications Division

Tel:81-3-3497-7291

### 1. Consolidated results for the six months ended September 30, 2005 (from April 1, 2005 to September 30, 2005)

#### (1) Consolidated results (Summary)

	Total trading transactions		Trading income		Please refer the below (*1)	
	millions of yen	increase/decrease(%)	millions of yen	increase/decrease(%)	millions of yen	increase/decrease(%)
For the six months ended						
September 30, 2005	5,015,129	9.0	89,296	17.4	83,139	19.4
September 30, 2004	4,603,147	(1.5)	76,075	88.1	69,644	174.1
For the year ended March 31, 2005	9,576,039		157,740		119,958	

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

	Net income		Net income per share (basic)	Net income per share (diluted)
	millions of yen	increase/decrease(%)	yen	yen
For the six months ended				
September 30, 2005	65,280	47.9	41.26	-
September 30, 2004	44,135	130.3	27.89	-
For the year ended March 31, 2005	77,792		49.16	-

Note :

1. Equity in earnings of associated companies :

(For the six months ended Sep.30, 2005) 26,760 million yen, (For the six months ended Sep.30, 2004) 17,658 million yen

(For the year ended Mar.31, 2005) 31,764 million yen

2. Weighted-average number of common shares outstanding :

(For the six months ended Sep.30, 2005) 1,582,320,822 shares, (For the six months ended Sep.30, 2004) 1,582,221,660 shares

(For the year ended Mar.31, 2005) 1,582,392,847 shares

3. Change of accounting policies : No

4. "increase/decrease(%) "presents changes from the same period of the previous fiscal year.

5. "Total trading transactions" and "Trading income" are presented in accordance with Japanese accounting practice.

• Total trading transactions in the consolidated statements of operations consist of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.

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

6. Parentheses represent negative figures or decreases.

#### (2) Consolidated financial position

	Total assets	Stockholders' equity	Ratio of stockholder's equity to total assets	Stockholders' equity per share
	millions of yen	millions of yen	%	yen
September 30, 2005	4,801,381	610,786	12.7	386.04
September 30, 2004	4,441,361	470,500	10.6	297.38
March 31, 2005	4,472,345	510,397	11.4	322.54

Note : Number of common shares outstanding :

(September 30, 2005) 1,582,179,037 shares, (September 30, 2004) 1,582,143,550 shares

(March 31, 2005) 1,582,412,941 shares

#### (3) Consolidated cash flows information

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents
	millions of yen	millions of yen	millions of yen	millions of yen
For the six months ended				
September 30, 2005	40,604	(80,113)	18,347	434,587
September 30, 2004	(16,476)	(37,251)	(153,614)	373,102
For the year ended March 31, 2005	126,624	(127,600)	(125,342)	452,934

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

Consolidated subsidiaries : 467    Associated companies : 208

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

Consolidated subsidiaries : (increase) 22, (decrease) 6    Associated companies : (increase) 14, (decrease) 11

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

	Total trading transactions	Net income
	millions of yen	millions of yen
Fiscal year 2006	10,300,000	120,000

Note:

1. Forecasted net income per share for fiscal year 2006 : 75.84 yen

2. "Total trading transactions" is presented in a manner customarily used in Japan solely for Japanese readers

#### A cautionary Note on Forecasts

Above forecasts are based on management's assumptions and beliefs based on information currently available and involve risks and uncertainties.

Thus, factors that could cause actual results to differ materially from such statements include, without limitation, global economic and market conditions, and currency exchange rate fluctuations. Concerning detailed items of the forecast, please refer page 9-10 "Outlook for Fiscal 2006".

## Financial Highlights

ITOCHU Corporation and Subsidiaries

	Yen (millions) (Unless otherwise specified)		Increase (Decrease)%	U.S. dollars (millions) (Unless otherwise specified)		Yen (millions) (Unless otherwise specified)	
	FY 2006 1st half	FY 2005 1st half		FY 2006 1st half	FY 2005 Full year		
<b>P/L (For the 1st half / year):</b>							
Total trading transactions.....	5,015,129	4,603,147	9.0 %	44,307		9,576,039	
Gross trading profit.....	338,384	303,768	11.4	2,990		630,761	
Gross trading profit ratio (%).....	6.75	6.60				6.59	
Net income.....	65,280	44,135	47.9	577		77,792	
Adjusted profit*.....	116,071	91,100	27.4	1,025		188,807	
<b>B/S (End of period / year):</b>							
Total assets.....	4,801,381	4,472,345	7.4	42,419		4,472,345	
Stockholders' equity.....	610,786	510,397	19.7	5,396		510,397	
Net interest-bearing debts*.....	1,956,452	1,891,086	3.5	17,285		1,891,086	
<b>Per share (Yen and U.S.Dollars):</b>							
Net income.....	41.3	27.9	47.9	0.4		49.2	
Stockholders' equity.....	386.0	297.4	29.8	3.4		322.5	
<b>Ratios:</b>							
ROA (%).....	1.4	1.0				1.7	
Ratio of adjusted profit to total assets (%).....	2.5	2.0				4.2	
ROE (%).....	11.6	9.9				16.7	
Ratio of stockholders' equity to total assets (%)	12.7	10.6				11.4	
Net debt-to-equity ratio (NET DER) (Times)...	3.2	4.2				3.7	
Interest coverage* (Times).....	5.6	5.2				5.7	

Note:

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

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

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

\*Interest coverage

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

## **Management Policy**

### **Shift to Aggressive Business and Solid Management**

ITOCHU Corporation and its group companies have started a new mid-term management plan, Frontier-2006, a two-year plan for fiscal 2006 and 2007.

The "Frontier-2006" plan defines these two years as a period to make ITOCHU a highly profitable corporate group constantly achieving more than 100 billion yen in net income. By foreseeing changes, always seeking a "frontier", and pursuing three principles of "challenge, create and commit," ITOCHU has been engaged in expanding earnings and strengthening its business base.

As a few of the achievements accomplished in this first half year:

In Consumer and Retail related area, ITOCHU and FamilyMart Co., Ltd. opened a store called "Famima!! West Hollywood Store" in Los Angeles as the first store in North America. Also, in China, ITOCHU, together with KAGOME Co., Ltd., established a joint venture to produce and sell vegetable/fruit beverages. In Textile, ITOCHU and UNITED ARROWS LTD. worked together to strengthen the ties in order to enhance a luxury brand Chrome Hearts for its domestic sales. Furthermore, ITOCHU and the U.S. Chrome Hearts Inc. established a joint venture to promote its world-wide sales. In Media, On Demand TV, Inc. who provides image distribution service for FLET'S users, has expanded its video on demand service nationwide. In Chemicals, Forest Products & General Merchandise, ITOCHU acquired SANIPAK COMPANY OF JAPAN, LTD., top vender in plastic bags in Japan, to expand in wrapping materials related business. Concerning Energy, to promote imports and domestic sales of LPG, ITOCHU entered into a capital tie-up with OSAKA GAS CO., LTD. and Sojitz Corporation, and invested in Nissho Petroleum Gas Corporation.

As for business cooperation with Orient Corporation, a new financial instrument, inventory secured loans, was introduced for automobile dealers to respond flexibly and promptly to their financial needs so as to enhance their product line and strengthen their sales base. Also, ITOCHU has started the preparation for entry into business to support various types of remodeling to selected local builders, so as to provide consumers with safe and secured remodeling services.

In Resource Development, ITOCHU acquired rights of the Alba oil field and the Caledonia oil field in British North Sea.

For Russia, regarded as one of the emerging markets, ITOCHU will set up a new company to import and sell SUZUKI's cars with the view to full-scale entering into automobile distributing business in Russia, as well as setting up a joint venture distributor with The Yokohama Rubber Company., Limited for selling automobile tires, to reinforce the sales in Russia.

In Advanced Technology area, ITOCHU entered into a capital tie-up with TOSCO CO., LTD. which possesses high technology in textile processing, and started a cooperation to initiate a production business of next-generation exhaust gas purification filters for diesel engines utilizing special textile materials.

## **Tasks to accomplish (Frontier-2006)**

In our mid-term management plan, "Frontier-2006", ITOCHU has set up the following five measures to work with.

1) ITOCHU will take on a challenge to expand earnings. ITOCHU defines core segments/areas within each Division Company to further accelerate the reallocation and upgrades of assets.

In addition, by maximizing synergy among ITOCHU Group, ITOCHU plans to further increase earnings in consumer related sector, a strong business domain of ITOCHU, and Natural resource development sector where demand increase is expected. In overseas markets, ITOCHU will not only expand business in North America and Asia including China, where ITOCHU can expect a lot of business opportunities, but will also strengthen business in emerging countries such as Russia, India and Brazil, regarding them as potential markets for future expansion of business.

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

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

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

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

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

## **Dividends policy**

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

## **Basic policy concerning corporate governance**

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

### **"ITOCHU Corporation Code of Conduct"**

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

## State of implementation of measures concerning corporate governance

### 1) State of ITOCHU's Management System

- ITOCHU Corporation adopts corporate auditors system.
- The Board of Directors consisting of 12 Directors, which is a reasonable size for substantial discussion, makes managerial decisions and supervises business operations.
- The Board of Corporate Auditors consists of five corporate auditors, including three standing auditors and two outside corporate auditors, and strictly monitors business operations of directors and executive officers. Four full-time staff members support the corporate auditors.
- ITOCHU has introduced executive officer position and currently there are 33 executive officers who devote themselves to their specific operations.
- ITOCHU has established HMC (Headquarters Management Committee), as a support body to the President, to discuss general management policies and important issues relating to corporate management.
- ITOCHU has established an Advisory Board composed of outside experts from various fields to obtain useful opinions on management from an objective point of view.

### 2) State of internal control system

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

### 3) State of risk management system

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

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

Risk Return Index = Net income / Risk assets

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

- ITOCHU retains Audit Division under the direct supervision of the President.  
The Audit Division audits ITOCHU and domestic and international subsidiaries from the following points of view, i) if management activities are reasonably and efficiently conducted, ii) if internal rules and procedures are properly and effectively functioning, iii) if laws and regulations are duly respected, iv) if accounting registration and other reports are appropriately, accurately, and promptly produced.  
Process of improvement in problems regarding the results of audits are duly monitored by the Audit Division. In addition, the Division cooperates with other internal audit divisions of ITOCHU Group companies.
- The corporate auditors regularly attend the Board of Directors meetings and other important meetings to monitor executive decisions in accordance with audit plans and assignments adopted by the Board of Corporate Auditors.  
The corporate auditors peruse documents of executive decisions, review management activities and properties at the headquarter office and major branches, and obtain necessary business reports from subsidiaries to strictly monitor the directors and executives.  
In addition, the Board of Corporate Auditors established GAC (Group Audit Committee) which is comprised of corporate auditors of ITOCHU and major subsidiaries to cooperate each other.
- The Audit Division and the Corporate Auditors discuss internal audit plans at the beginning of each fiscal year, and hold periodic meetings to discuss the results of audits and exchange opinions each other.
- The Audit Division also holds periodic meetings with independent external auditors to exchange information.
- The Corporate Auditors discuss audit plans with independent external auditors, informed of the process and the results of audits, and audit financial statements.
- ITOCHU has concluded a contract with Deloitte Touche Tohmatsu for an audit of financial statements prepared in conformity with accounting principles generally accepted in the United States of America, and an audit based on the Commercial Code and on the Securities and Exchange Law.  
Deloitte Touche Tohmatsu audits ITOCHU's financial statements from an independent point of view.  
In response to the results of audit, ITOCHU exchanges opinions with Deloitte Touche Tohmatsu regarding subjects including improvement of the internal control system etc. and is advised for improvement.  
ITOCHU provides Deloitte Touche Tohmatsu with necessary information for prompt and appropriate audit.  
The information for the audit partners and staff members for ITOCHU's audit is as follows.

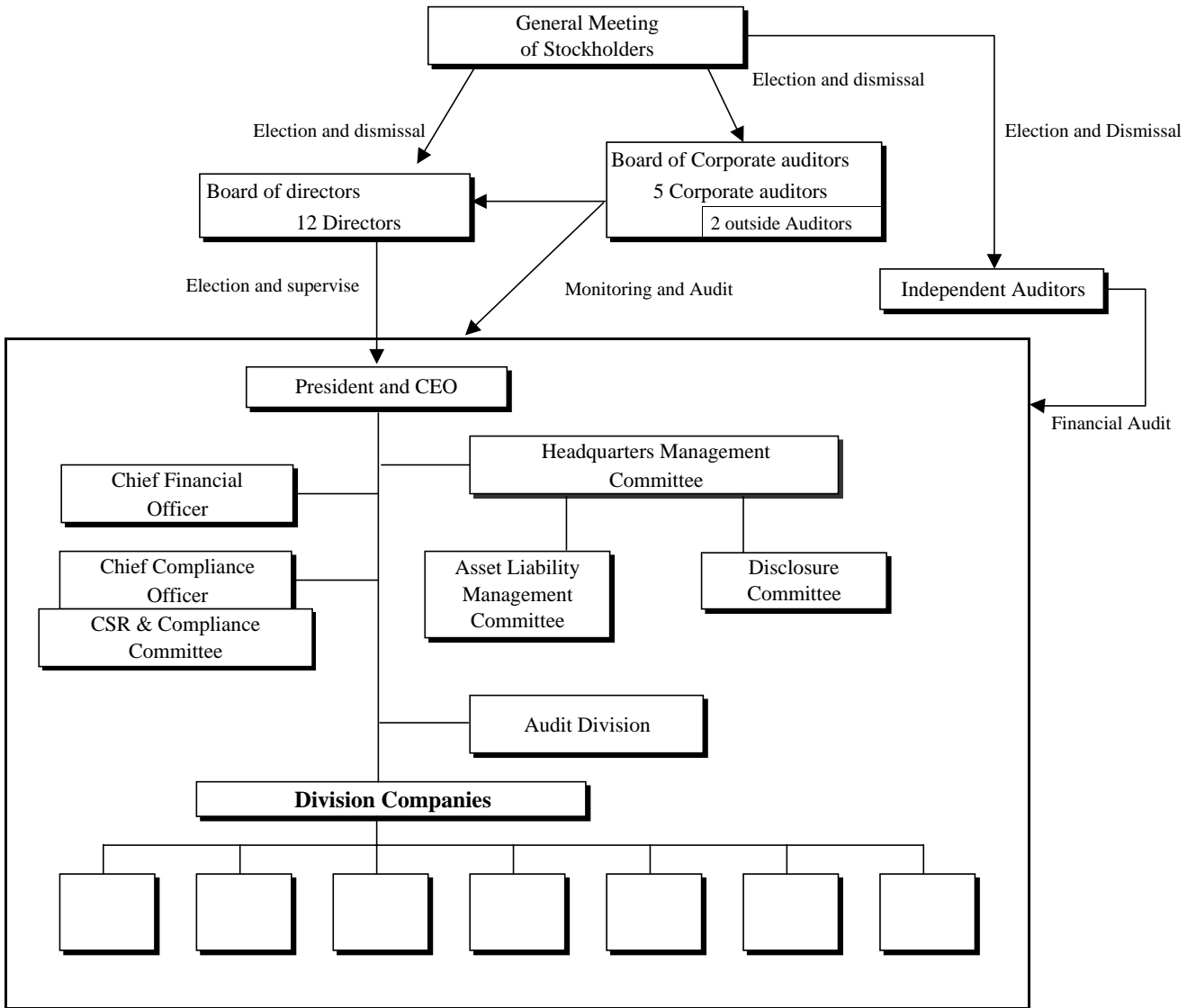
Audit Partners	Audit firm	Number of staff members
Mr. Hiroshi Nagai	Deloitte Touche Tohmatsu	14 CPAs
Mr. Kenjiro Ueba	Deloitte Touche Tohmatsu	8 Junior CPAs
Mr. Yoshitsugu Oba	Deloitte Touche Tohmatsu	4 assistants
Mr. Masahiro Ishizuka	Deloitte Touche Tohmatsu	

\* Years of service with ITOCHU is omitted as all the partners served less than seven years.

#### 5) Relation between outside auditors and ITOCHU

- ITOCHU has no specific interest with outside auditors. Mr. Haruo Sakaguchi, the current outside auditor, is an attorney from the same law firm as Mr. Tadashi Imagawa is, who works as a legal advisor of ITOCHU.

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



Note 1) Company President and Company CFO is assigned for each Division Company.

Note 2) Internal control system and risk management system is incorporated in all corporate levels, therefore, the chart describes only major organizations of them.

## **Outlook for Fiscal 2006**

Viewing for the second half of the current year, at home, steady recovery is expected due to continuous expansion of export, as well as strong capital investment and consumer spending. Meanwhile, overseas economies will require careful checking for crude oil price, and for the booming housing investment in the U.S. to go too far, though the economy itself is expected to grow steadily especially in the U.S. and China.

Under these circumstances, ITOCHU is expecting consolidated total trading transactions of 10.3 trillion yen for the fiscal year ending March 2006, with a consolidated net income of 120.0 billion yen.

These forecasts are forward looking statements that are based on management's assumptions and beliefs based on information currently available and involve risks and uncertainties. Thus, the actual results could be substantially different from the above statement due to such factors including, but not limited to, global economic and market conditions, and currency exchange rate fluctuations.

### **Fiscal 2006 consolidated forecasts (April 2005 - March 2006)**

	Forecasts	Increase from the previous fiscal year
Total trading transactions	10.3 trillion yen	7.6%
Net income	120.0 billion yen	54.3%

(Note)	Forecasts	The first half Results
Exchange rate (Yen/US\$)	110.00	108.48
Crude oil (Brent) price (US\$/BBL)	53.00	50.34

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

ITOCHU paid 7 yen per share as a dividend for fiscal year ended March 31, 2005. For the interim dividend, 4 yen per share will be paid. For the dividend at the end of the current fiscal year, ITOCHU intends to pay 4 yen (annual total of 8 yen) per share.

## Fiscal 2006 forecasts, ending March 31, 2006

Consolidated	Results	Forecasts	Forecast(Previous) Announced on 4/28	Results	Results
	2006 1st half	2006 Full year	2006 Full year	2005 1st Half	2005 Full year
Total trading transactions	5.0 trillion yen	10.3 trillion yen	9.6 trillion yen	4.6 trillion yen	9.6 trillion yen
Gross trading profit	338.4 billion yen	680.0 billion yen	660.0 billion yen	303.8 billion yen	630.8 billion yen
Selling, general and administrative expenses	( 245.6)	( 490.0)	( 480.0)	( 225.9)	( 466.8)
Provision for doubtful receivables	( 3.5)	( 10.0)	( 10.0)	( 1.8)	( 6.2)
Net interest expenses	( 12.3)	( 28.0)	( 27.0)	( 11.3)	( 21.0)
Dividends received	8.8	15.0	12.0	6.8	14.2
Other-net	( 2.7)	10.0	0.0	( 2.0)	( 30.9)
Income before income taxes, minority interests and equity in earnings of associated companies	83.1	177.0	155.0	69.6	120.0
Income taxes	( 39.4)	( 89.0)	( 82.0)	( 38.5)	( 62.5)
Income before minority interests and equity in earnings of associated companies	43.7	88.0	73.0	31.1	57.4
Minority interests	( 5.2)	( 13.0)	( 13.0)	( 4.6)	( 11.4)
Equity in earnings of associated companies	26.8	45.0	40.0	17.7	31.8
Net income	65.3	120.0	100.0	44.1	77.8

Total assets	4,801.4 billion yen	4,700.0 billion yen	4,700.0 billion yen	4,441.4 billion yen	4,472.3 billion yen
Gross interest-bearing debts	2,394.9	2,400.0	2,400.0	2,345.4	2,346.7
Net interest-bearing debts	1,956.5	under 2,000.0	under 2,000.0	1,964.5	1,891.1
Total stockholders' equity	610.8	640.0	600.0	470.5	510.4

(Note)

Foreign exchange rate (Yen/US\$)	108.48	110.00	100.00	109.80	107.94
Crude oil (Brent) (US\$/BBL)	50.34	53.00	35.00	33.24	38.00

## Summary of Operations

### General Situations

During the first half of fiscal 2006, ending March 2006, the Japanese economy has gotten out of the temporary lull of the economy and showed steadier recovery due to turn-up of export for recovery, in addition to rapid increase in capital expenditure and stronger consumer spending. Furthermore, Nikkei Stock Average has continued to grow up from 11,000 yen at the beginning of this period to 13,000 yen at the end of this period due to good corporate profits and an influx of money from overseas. Meanwhile, the long-term interest rate has stayed at the low level of a little bit more than one percent, with the condition that the consumers' price index continuously indicated a minus figure compared with the previous fiscal year, though the minus level is small. Regarding foreign exchange rate, yen has been dropping down to 113 yen level to the U.S. dollar affected by foreign security investments due to expansion of short term interest discrepancy between the U.S. and Japan, and shrinking of Japan's current-account surplus due to rising crude oil price. For overseas economies, the U.S. has continued to expand steadily supported by expansion of employment and housing investment boom. China's growth has also lasted based on strong investment, while some Asian countries have showed a sign of stagnation affected by rising crude oil price. European economy cannot get out of its recession due to sluggish export growth and low level of capital investment.

### Operating Results

**Total trading transactions** for the six months ended September 30, 2005 increased by 9.0 % or 412.0 billion yen to 5,015.1 billion yen (44,307 million U.S. dollars) from the same period of the previous fiscal year.

Total trading transactions increased in all trading segments compared with the same period of the previous fiscal year, especially in Machinery through transactions of plants and automobile, in Energy, Metal & Minerals through rising prices of coal, iron ore, and crude oil, and in Chemicals, Forest Products & General Merchandise reflecting continuously rising prices in chemicals and steady growth in building material-related transactions in North America.

**Revenue** increased by 14.5% or 131.9 billion yen to 1,038.8 billion yen (9,177 million U.S. dollars), because of the increase in resource related transactions due to rising market prices.

**Gross trading profit** increased by 11.4% or 34.6 billion yen to 338.4 billion yen (2,990 million U.S. dollars). Increase in gross trading profit is shown in every segment including Textile contributed by a newly consolidated Men's apparel company, 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, Energy, Metal & Minerals through rising prices of coal, iron ore, and crude oil, Food contributed by newly consolidated subsidiaries in addition to trade increase in food distribution subsidiaries, and Finance, Realty, Insurance & Logistics Services due to profit increase in distribution subsidiaries as well as increase in condominium sales.

**Selling, general and administrative expenses**, with an increase in expenses from business expansion and consolidating new companies, increased by 8.7% or 19.7 billion yen to 245.6 billion yen (2,170 million U.S. dollars).

**Net interest expenses** was worsened by 9.2% or 1.0 billion yen in period-to-period comparison, due to U.S. interest rate rise.

**Net financial expenses** improved by 21.7% or 1.0 billion yen to 3.5 billion yen (31 million U.S. dollars) mainly due to increase in dividends received from the LNG-related investment compared with the same period of the previous fiscal year. Concerning the other profits and losses, **Gain (loss) on disposal of investments and marketable securities, including write-down** improved by 13.0 billion yen and turned to a positive value (gain) due to increase in profit from disposal of securities, while **Gain (loss) on property and equipment-net** decreased by 0.9 billion yen and **Other-net** also decreased by 12.8 billion yen reflecting recorded loss of a legal settlement (19.5 billion yen) of a U.S. subsidiary.

As a result, **Income before income taxes, minority interests and equity in earnings of associated companies** increased by 19.4% or 13.5 billion yen to 83.1 billion yen (735 million U.S. dollars) from the same period of the previous fiscal year.

**Equity in earnings of associated companies** increased by 51.5% or 9.1 billion yen to 26.8 billion yen (237 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 65.3 billion yen (577 million U.S. dollars), increased by 47.9% or 21.1 billion yen from the same period of the previous fiscal year.

### **Financial Conditions**

**Total assets** as of September 30, 2005 increased by 7.4% or 329.0 billion yen from March 31, 2005, to 4,801.4 billion yen (42,419 million U.S. dollars) due to increase in receivables along with rising prices of marketable commodities such as energy and chemicals, additional investment in Orient Corporation, acquisition of energy, resource related interests, and increase in mainly investments of available-for-sale securities resulting from rising in stock prices.

**Stockholders' equity** increased by 19.7% or 100.4 billion yen from March 31, 2005, to 610.8 billion yen (5,396 million U.S. dollars) due to 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, in addition to an increase in retained earnings realized by net income for the six months ended September 30, 2005. As a result, stockholders' equity ratio improved by 1.3 point from March 31, 2005 to 12.7 %.

**Net interest-bearing debts** (interest-bearing debts after deducting cash, cash equivalents and time deposit) increased by 3.5% or 65.4 billion yen from March 31, 2005, to 1,956.5 billion yen (17,285 million U.S. dollars).

As a result, **NET DER** (Debt-to-Equity Ratio) improved by 0.5 point from March 31, 2005, to 3.2 times.

Cash flows from **operating activities** recorded net cash-inflow of 40.6 billion yen (359 million U.S. dollars), due to good results in operating revenue mainly from overseas resource-related business.

Net cash used in **investing activities** was 80.1 billion yen (708 million U.S. dollars) as a result of new and additional investment in Orient Corporation and energy related business. Net cash flow from **financial activities** grew up to 18.3 billion yen (162 million U.S. dollars) due to increase in short-term debt.

As a result, the current balance of **cash and cash equivalents** as of September 30, 2005 decreased by 18.3 billion yen to 434.6 billion yen (3,839 million U.S. dollars) from March 31, 2005.

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 113.19 yen = 1 U.S. dollars, the exchange rate prevailing on September 30, 2005.

## **Risk Information**

ITOCHU Group is exposed to various risks such as market risks, credit risks and investment risks, due to the nature of a wide range of their business. These risks include unpredictable uncertainty and may have significant effects on their future business and financial performance.

ITOCHU Group has enhanced their risk management policy and risk management methodology to monitor and manage these risks, but it is impossible to completely avoid all these risks.

With respect to descriptions about future event, ITOCHU appropriately determines its assumption and estimates based on information at the six months ended, September 30, 2005.

### ***(1) Corporate Result Risks Due to Macroeconomic Factors***

ITOCHU Group involves a wide variety of business ranging from supply of raw materials to manufacturing and sale in each of their business areas. It conducts diverse types of commercial transactions such as purchase and sale of products in the domestic market as well as import/export trade between overseas affiliates. Changes in the domestic economy and fluctuations in world economic environments can seriously affect Group's results of operations.

To give an overview of Group's main areas of business, the domestic economy has a relatively strong influence on a consumer and retail-related segment such as textiles and food. Trade in machinery such as plants, autos and industrial machinery, trade in mineral resources, energy and chemical products and investments in development are all largely dependent on economic trends in the U.S. and Asian countries, which take the lead in the world economy.

Furthermore, with the steady expansion of demand in China, one of ITOCHU's priority markets, The Group has conducted business and trade in China at a rapid pace for many areas of business. Consequently, Chinese economic trends have a possibility to seriously affect the financial position and results of operations of the Group.

### ***(2) Market Risks***

ITOCHU Group is exposed to market risks such as foreign exchange rate risks, interest rate risks, commodity price risks and stock price risks. The Group attempts to minimize risks related to market fluctuations such as changes in foreign exchange rates and interest rates by establishing risk management policy such as setting and controlling a limit and by utilizing a variety of derivative instruments for hedging purposes.

#### ***i) Foreign Exchange Rate Risk***

The Company and certain Group companies are exposed to foreign exchange rate risk related to transactions denominated in foreign currencies due to its significant involvement in import/export trading. ITOCHU is working to manage the Group's foreign currency balance by contract amount, debt and liabilities, the amount of ITOCHU's own/other's risk, and short/long-term and sets limits on foreign exchange rate risks.

ITOCHU is also working to minimize foreign exchange rate risks using derivative transactions such as forward exchange contracts and currency swap contracts. However, ITOCHU cannot guarantee a complete avoidance of such foreign exchange rate risks by utilizing derivative instruments. Since the Company is engaged in businesses involving foreign currencies with a number of overseas trading subsidiaries and other overseas group companies, the figures denominated in Japanese yen on its consolidated balance sheets are also exposed to so-called foreign currency translation risk. This translation risk has no impact on the performance of the business conducted in foreign currencies. In addition, a long period is generally needed to recover the amount of investments. Accordingly, the Company does not hedge the translation risk, as the term of effectiveness provided by hedging is limited.

#### ***ii) Interest Rate Risk***

ITOCHU Group is exposed to interest rate risk in both fund raising and in its lending, investing, and operating activities. Interest rate risk refers to the risk of earnings fluctuation caused by changes to interest rates, when mismatches in interest rate sensitivity to assets/liabilities and durations occur. Interest rate risk, on the whole, consists of balance, magnitude of interest rate change, and duration. ITOCHU is working to quantify interest rate risks to control such risks in a concrete and objective manner. To be specific, using the management method Earnings

at Risk (EaR), ITOCHU has set a certain limit (Loss Cut Limit) as the highest acceptable interest payment and has executed hedging transactions primarily in the form of interest rate swaps to minimize interest risk. However, ITOCHU still cannot guarantee a complete avoidance of interest rate risk, even having adopted these management methods.

iii) **Commodity Price Risk**

As a trading company handling a diverse array of commodities, ITOCHU Group is exposed to commodity price risks due to such factors as market fluctuations. The Group has established a fundamental risk management policy on an individual Division Company basis, assessing purchase contracts, inventories, and sales contracts, etc. and setting and managing a balance limit and loss cut limit for each individual product and conducting periodic reviews. In addition, ITOCHU works to minimize commodity price risk by utilizing derivatives such as futures or forward contracts as means of hedging. Despite these measures, ITOCHU cannot guarantee a complete avoidance of commodity price risks. ITOCHU as well as certain Group Companies also participate in resource development businesses such as the energy sector and other manufacturing businesses. Production in these businesses is also exposed to the same commodity price risks noted above, and it is possible for the value of the businesses to deteriorate. If this were to occur, it could seriously affect the financial position and results of operations of ITOCHU Group.

iv) **Stock Price Risk**

ITOCHU Group holds available-for-sale securities which are vulnerable to price fluctuation. ITOCHU strives to maintain appropriate levels of investment and to minimize stock price risk by applying exit rules for inefficient investments that ITOCHU has little reason to hold. The fair value of the available-for-sale securities held by the Company and its subsidiaries was ¥243.1 billion (\$2,147 million) as of September 30, 2005. However, assuming that the price of these investments fluctuated and the fair value of these available-for-sale marketable securities decreased, it could seriously affect the financial position and results of operations of ITOCHU Group.

**(3) Credit Risks**

ITOCHU Group conducts a vast array of commercial transactions with its trading partners, both domestically and overseas. ITOCHU therefore bears credit risk from the non-payment of obligations held by the Group due to the deteriorating credit status or insolvency of ITOCHU's partners. In the Company, the credit department of each Division Company, which is independent of the business departments, manages credit risk on both quantitative and qualitative bases. Each proposal submitted by a business division undergoes careful screening by the credit department, which then sets an appropriate credit limit upon the completion of review. Specific expiration dates are set for credit limits. These limits and the status of trade receivables are monitored on a periodic basis along with periodic reviews of the status of debt collections and delinquencies. The necessary reserves are determined and booked on this basis. Occurrence of credit risks could seriously affect the financial position and results of operations of ITOCHU Group.

**(4) Country Risk**

ITOCHU Group has trading relationships with many foreign countries. These include handling foreign goods and investments in foreign trading partners. The Group therefore is exposed to country risks resulting from regulations imposed by foreign governments, political instability, or restrictions on the transfers of funds. In response to these country risks, in addition to taking appropriate countermeasures for each transaction, with the aim of avoiding a concentration of exposure, ITOCHU is endeavoring to manage risk by setting total limit guidelines and limits for each country and setting credit policies appropriate to each country. ITOCHU does however have debts in countries and regions where there is a relatively high probability of country risk emerging, and those in which business activities are being expanded through loans, investment and guarantees for monetary indebtedness. When those debts and business activities face events caused by political, economic, or social instability, ITOCHU cannot entirely deny the possibility that those events may have a significant impact on the sustainability of ITOCHU's transactions and business activities in such countries and regions. Such occurrences could have a serious, adverse effect on the financial position and results of operations of ITOCHU Group.

**(5) Investment Risk**

Investing in a variety of businesses is one of the major business activities of ITOCHU Group. In managing the Group's portfolio of investments strategically, ITOCHU faces serious decisions regarding the initiation of new investments that will produce profit commensurate with the attendant risk, or the withdrawal from investments that do not produce profits consistent with attendant risks. In considering a new investment, monitoring existing businesses and withdrawing from an investment, ITOCHU has a standard for decision making. However, serious adverse influences on the future corporate results and financial standing of ITOCHU Group are possible in the event that the Group is unable to achieve the Group's forecasted results due to a deteriorating economic environment for businesses in which the Group has invested or the deteriorating corporate results and financial standing of ITOCHU's partners, and in the event that ITOCHU Group is unable to withdraw from a business or restructure the business under a timeframe or method that the Group desires. In such instances, whole or partial investment losses or the infusion of additional funds may be required; in such case it could affect the future corporate results and financial standing of ITOCHU Group. Besides, the necessity of booking impairment losses could arise should the likelihood of recovering ITOCHU's investment diminish due to poor corporate results for investees, or should stock prices be expected to drop below specified levels for a considerable period of time. Such occurrences could have a serious, adverse effect on the financial position and results of operations of ITOCHU Group.

**(6) Risks Due to Loss on Property and Equipment-net**

ITOCHU Group is exposed to impairment loss risks on fixed assets held, such as real estate, aircraft, and ships. ITOCHU does not foresee at present any necessity for booking impairment losses. However, ITOCHU Group would be required to recognize impairment losses should the economic value of fixed assets deteriorate due to decreased demand or further deterioration in market conditions for each of the assets. Such an occurrence could seriously affect the future corporate results of ITOCHU Group.

**(7) Risks Due to Fund Raising**

ITOCHU Group uses ALM (Asset Liability Management) to ensure the necessary funding for its businesses and to ensure liquidity through borrowings from domestic and international financial institutions, as well as the issuance of corporate bonds. However, should ITOCHU's credit worthiness in the stock market deteriorate due to a significant lowering of the Company's credit rating, or should there be a significant change in the lending policies of financial institutions such as restriction of credit for ITOCHU's Company due to an upheaval in the financial systems in primary financial markets, the Group could experience an inability to raise funds when necessary or under desirable conditions and could consequently experience an increase in funding costs. This could exert a serious, adverse influence on the financial position and results of operations of ITOCHU Group.

**(8) Risks Due to Benefit Expenses and Benefit Obligations**

The benefit expenses and benefit obligations of ITOCHU are calculated based on actuarial calculations that utilize a variety of assumptions such as the discount rate for benefit obligations and the expected rate of return on pension assets. As of September 30, 2005, there was no shortfall in accumulated pension assets after returning the substitutional portion of the employee's pension fund to the government and shifting part of a tax qualified pension to defined contribution pension plan. However, should it become necessary to change the assumptions on which the actuarial calculations are based or should pension assets be affected by a deterioration in the stock market, it is possible that pension expenses and benefit obligations could increase and that additional contributions to pension assets would be necessary. The financial position and results of operations of ITOCHU Group could be seriously affected by such occurrences.

**(9) Risks Due to Deferred Income Taxes**

Deferred income tax assets are an important factor in ITOCHU's consolidated balance sheets. Therefore, accounting judgment on evaluation of deferred income taxes has a substantial impact on ITOCHU's consolidated financial statements. To consider the necessity of an allowance for deferred income taxes, ITOCHU Group reports the realizable amount of deferred income taxes, taking into consideration future taxable income and feasible tax planning strategies.

The management of ITOCHU Group believes these estimations of realizable amount of deferred income taxes are rational. However, allowance for deferred income taxes may increase or decrease depending on changes in taxable income during the tax planning period, changes in the tax system in each country including changes in tax rates and changes in tax planning strategies. In that case it could affect the financial position and results of operations of ITOCHU Group.

***(10) Risks Due to Competition***

Due to ITOCHU Group's involvement in many different industries and the fact that the Group handles a vast array of products and services, the Group is open to competition from many different companies, both domestic and foreign, including competition from other general trading companies. ITOCHU cannot deny the existence of other companies with superior experience, technology, and funding capacity, who are in a position to provide products and services that meet customer needs. Moreover, the possibility of ever-greater competition from companies in newly developing countries like China exists in addition to ongoing competition from European and North American companies due to the economic globalization of primary markets such as China and the U.S. ITOCHU Group could also find its competitiveness unsustainable due to future events such as deregulation, changes in the business environment such as entrance into other industries, and technological innovation. The advent of such risks could cause a corresponding loss in competitiveness for ITOCHU Group, adversely affecting to the financial position and results of operations of ITOCHU Group.

***(11) Risks Associated with Significant Lawsuits***

There is no significant, currently pending lawsuit, arbitration, or other legal proceeding that may materially affect the financial position or results of the operation of ITOCHU Group. However, there shall be no assurance that domestic or oversea business activities of ITOCHU Group may not become subject to any of such lawsuits, arbitrations or other legal proceedings. For the reference sake, the lawsuit brought against ITOCHU International Inc. and its subsidiary, III Holding Inc. (formerly known as Copelco Financial Services Group, Inc.) (collectively, "III") by Citibank N.A. and its subsidiary, Citibank Canada (collectively, "Plaintiff") in connection with the Plaintiff's acquisition of all the common stocks of Copelco Capital Inc., a subsidiary of III Holding Inc. for a purchase price of approximately US\$666 million in May, 2000, which was pending before the New York Supreme Court for New York County was settled through outside-court mediation by a basic agreement for settlement reached between the Plaintiff and III dated August 9, 2005. As a result of the basic agreement, a definitive settlement agreement was entered into between the Plaintiff and III on August 18, 2005, and III paid the settlement amount in US\$185 million to the Plaintiff, and the lawsuit was withdrawn with prejudice on August 19, 2005.

***(12) Risks Associated with Compliance***

***i) Risks Related to Laws and Regulations***

ITOCHU Group is subject to a number of diverse laws and regulations both domestically and overseas due to the vast array of products and services the Group provides. To be specific, ITOCHU Group is required to adhere to laws and regulations such as the laws for each industry, all laws pertaining to trade such as foreign exchange control laws, antitrust laws, intellectual property laws, waste disposal laws and the laws of each country in which ITOCHU Group conducts business overseas. ITOCHU Group is aware that the observance of laws and regulations is a serious obligation on the part of the Company and the Group has committed every effort into the observance of these laws and regulations through the compliance program that the Group has created. Despite this, ITOCHU cannot deny that additional regulations or abrupt changes in regulations by legislative, judicial, and regulatory bodies are a possibility both domestically and overseas. Also there are possibilities of major change in laws and regulation by political/economical changes. If ITOCHU Group infringe on such laws and regulations, then the Group could experience a restriction of business activities, legal sanctions, and a consequent loss of public trust. This could exert a serious, adverse influence on the financial position and results of operations of ITOCHU Group.

ii) Risks Related to the Environment

ITOCHU Group has designated global environmental issues as one of the most important elements of its management policy. The Group is actively working on environmental issues designated by ITOCHU's environmental policy to deal with the risk of infringement of laws and regulations pertaining to the environment by each business, the destruction of the natural environment by natural resource development, real estate development and goods and service. Despite these efforts, ITOCHU Group cannot guarantee that the Group's business activities will not affect the world environment, and ITOCHU cannot completely avoid the possibility that the opposition of environmental protection groups will impede the business growth. Should such events occur, the ITOCHU Group could suffer the loss of public trust and could suffer serious adverse effects to the financial position and results of operations of ITOCHU Group.

***(13) Risks Associated with Information Systems and Information Security***

In ITOCHU Group a code of conduct concerning the handling of information is set for all directors and employees and high priority is placed on maintaining a high information security level in the Company. ITOCHU has established an information system to facilitate the sharing of information internally within the Group and externally with clients, and to improve the efficiency of operations. In order to maintain a secure operation of ITOCHU's information systems, ITOCHU has established a firewall to prevent outside intrusions to the network, established security guidelines, and have developed crisis control measures. Despite these measures, ITOCHU cannot completely avoid the possibility of unauthorized access from the outside, the leakage of sensitive company information due to computer viruses, or operational failure of the system due to damage to information system equipment arising from natural disasters or accidents or from trouble with telecommunications circuitry. If such events occur, this could cause a deterioration of operational efficiency and depending on the seriousness of the damage, have a serious adverse effect on the financial position and results of operations of ITOCHU Group.

## Performance of Group Companies (1)

For the six months ended September 30, 2005 and 2004

### Components of Consolidated Net Income

(Unit: billion yen)	Apr-Sep 2005	Apr-Sep 2004	Increase (Decrease)
Parent company	30.0	20.1	10.0
Overseas trading subsidiaries	(3.6)	7.6	(11.2)
Group companies excluding overseas trading subsidiaries	56.2	35.2	21.0
Subtotal	82.6	62.9	19.7
Consolidation adjustments	(17.3)	(18.8)	1.4
Consolidated net income	65.3	44.1	21.1
Adjusted profit	116.1	91.1	25.0

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

### Number of Group Companies

	September 30, 2005			March 31, 2005			Increase	Decrease	Changes within Group	Net changes	
	Domestic	Overseas	Total	Domestic	Overseas	Total					
Subsidiaries	230	237	467	222	229	451	+20	(5)	+2	(1)	+16
Associated companies	93	115	208	94	111	205	+13	(9)	(2)	+1	+3
Total	323	352	675	316	340	656	+33	(14)			+19

### Number of Direct Controlled Companies

	September 30, 2005			March 31, 2005			Increase	Decrease	Changes within Group	Net changes	
	Domestic	Overseas	Total	Domestic	Overseas	Total					
Subsidiaries	149	145	294	144	141	285	+10	(2)	+2	(1)	+9
Associated companies	63	87	150	63	83	146	+10	(5)	(2)	+1	+4
Total	212	232	444	207	224	431	+20	(7)			+13

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

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

	Apr-Sep 2005			Apr-Sep 2004			Increase (Decrease)		
	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
	(Unit: billion yen)								
Group companies excluding overseas trading subsidiaries	63.7	(7.5)	56.2	44.6	(9.4)	35.2	19.1	1.9	21.0
Overseas trading subsidiaries	4.0	(7.7)	(3.6)	7.8	(0.2)	7.6	(3.8)	(7.4)	(11.2)
Total	67.7	(15.2)	52.6	52.4	(9.6)	42.8	15.3	(5.5)	9.8

### Number/Share of Group Companies Reporting Profits

		Apr-Sep 2005			Apr-Sep 2004			Increase (Decrease)		
		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Subsidiaries	Domestic	180	50	230	168	57	225	12	(7)	5
	Overseas	192	45	237	186	48	234	6	(3)	3
	Total	372	95	467	354	105	459	18	(10)	8
Associated companies	Share (%)	79.7%	20.3%	100.0%	77.1%	22.9%	100.0%			
	Domestic	72	21	93	66	28	94	6	(7)	(1)
	Overseas	90	25	115	78	30	108	12	(5)	7
Total	Total	162	46	208	144	58	202	18	(12)	6
	Share (%)	77.9%	22.1%	100.0%	71.3%	28.7%	100.0%			
	Domestic	252	71	323	234	85	319	18	(14)	4
Total	Overseas	282	70	352	264	78	342	18	(8)	10
	Total	534	141	675	498	163	661	36	(22)	14
	Share (%)	79.1%	20.9%	100.0%	75.3%	24.7%	100.0%			

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

		Apr-Sep 2005			Apr-Sep 2004			Increase (Decrease)		
		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Subsidiaries	Domestic	18.0	(3.8)	14.2	13.9	(2.9)	11.0	4.1	(0.9)	3.2
	Overseas (%)	22.2	(10.5)	11.6	17.3	(3.1)	14.2	4.9	(7.4)	(2.5)
	Total	40.2	(14.4)	25.8	31.2	(6.0)	25.2	9.0	(8.4)	0.7
Associated companies	Domestic	21.6	(0.7)	20.9	15.7	(1.9)	13.8	5.9	1.3	7.1
	Overseas	5.9	(0.1)	5.9	5.5	(1.7)	3.9	0.4	1.6	2.0
	Total	27.5	(0.8)	26.8	21.3	(3.6)	17.7	6.3	2.9	9.1
Total	Domestic	39.6	(4.5)	35.1	29.6	(4.8)	24.8	10.0	0.3	10.3
	Overseas	28.1	(10.6)	17.5	22.8	(4.8)	18.0	5.3	(5.8)	(0.5)
	Total	67.7	(15.2)	52.6	52.4	(9.6)	42.8	15.3	(5.5)	9.8

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

Overseas trading subsidiaries	Apr-Sep 2005			Apr-Sep 2004			Increase (Decrease)		
	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
	4.0	(7.7)	(3.6)	7.8	(0.2)	7.6	(3.8)	(7.4)	(11.2)

### Major New Group Companies

Segments	Name	Shares	Categories
Machinery	Rabigh Arabian Water and Electricity Company	(20.10%)	Utility business (Supply of water, electric power and steam)
Aerospace, Electronics & Multimedia	Maxis Consulting Corporation	(100.00%)	Business consulting
Metals & Minerals	i-Recycle Inc.	(100.00%)	Trade of scrap and recycle business
Energy	Nissho Petroleum Gas Corporation	(25.00%)	Import and wholesale of LPG and petroleum products
Chemicals	SANIPAK COMPANY OF JAPAN, LTD.	(80.00%)	Manufacturing and sale of plastic bags
Finance	Orient Corporation	(21.03%)	Consumer credit

## Performance of Group Companies (2)

For the six months ended September 30, 2005 and 2004

### Major Group Companies

(Unit: billion yen)

Name	Shares	Method of Consolidation	Net income (*1)		Categories	Fiscal 2006 Forecasts	
			Apr-Sep 2005	Apr-Sep 2004			
Textile	JOYX CORPORATION	99.97%	Consolidation	0.3	0.0	Sale of men's apparel	0.9
	Prominent Apparel Ltd. (Hong Kong)	100.00%	Consolidation	0.2	0.3	Production control and wholesale of textile and apparel	0.4
	TOMMY HILFINGER JAPAN, CO., Leilian Co., Ltd.	60.00%	Consolidation	0.3	0.3	Sale of Tommy Hilfinger brand products	0.5
		25.88%	Equity	0.1	0.1	Retail of ladies' apparel	0.1
Machinery	ITOCHU Sanki Corporation	100.00%	Consolidation	0.2	0.1	Wholesale of industrial machinery	0.3
	Century Medical, Inc.	100.00%	Consolidation	0.1	0.1	Wholesale of medical equipment and materials	0.1
	MCL Group Ltd. (*4) (U.K.)	100.00%	Consolidation	(0.1)	0.0	Warehousing, Retail and financing of motor vehicles	0.3
	ITOCHU Automobile America Inc. (U.S.A.)	100.00%	Consolidation	0.5	0.5	Holding company for auto-related business	1.1
	Century Leasing System, Inc.	20.21%	Equity	(*2)	0.4	Diversified leasing business	(*3)
Aerospace, Electronics & Multimedia	ITOCHU TECHNO-SCIENCE Corporation	48.75%	Consolidation	1.9	1.6	System consultation, integration, administration, maintenance, support, training, and outsourcing	(*3)
	CRC Solutions Corp.	40.38%	Consolidation	(*2)	0.4	Information Processing service, system integration, sales, administration, and support	(*3)
	SPACE SHOWER NETWORKS INC.	51.32%	Consolidation	0.1	0.1	Music channel on cable/satellite television	(*3)
	Excite Japan Co., Ltd.	67.18%	Consolidation	0.3	0.1	Internet portal services	(*3)
	JAMCO Corporation	20.60%	Equity	(*2)	0.0	Maintenance of aircraft and manufacture of aircraft interior	(*3)
	Suncall Corporation	21.43%	Equity	(*2)	0.2	Manufacturing and sale of optical communication devices, electronic devices, and car related devices	(*3)
Energy, Metals & Minerals	ITOCHU Non-Ferrous Materials Co., Ltd.	100.00%	Consolidation	0.6	0.4	Wholesale of non-ferrous/light metals and products	0.8
	ITOCHU Petroleum Japan Ltd. (*5)	100.00%	Consolidation	1.0	0.6	International trade of crude oil and petroleum products, charter and operation of oil tankers, sale of bunker fuel oil, operation of oil storage facilities	1.6
	ITOCHU Minerals & Energy of Australia Pty Ltd (*6) (Australia)	100.00%	Consolidation	14.9	5.3	Investment in projects of iron ore mining, coal mining and sales, manufacture of alumina, mining of bauxite and oil exploration	24.1
	Marubeni-Itochu Steel Inc.	50.00%	Equity	9.5	5.0	Wholesale of steel products	14.0
	ITOCHU ENEX CO., LTD.	39.83%	Equity	(*2)	0.4	Wholesale of petroleum products	(*3)
Chemicals, Forest Products & General Merchandise	ITOCHU Kenzai Corp.	85.94%	Consolidation	0.6	0.9	Wholesale of wood products and building materials	1.2
	ITOCHU Pulp & Paper Corp.	100.00%	Consolidation	0.5	0.2	Wholesale of paper, paperboards, and various paper materials	1.0
	ITOCHU CHEMICAL FRONTIER Corporation (*7)	96.27%	Consolidation	0.5	0.8	Wholesale of fine chemicals and related raw materials	1.1
	ITOCHU PLASTICS INC.	100.00%	Consolidation	1.1	0.8	Development and wholesale of plastics and related products	2.1
	DAIKEN CORPORATION	19.43%	Equity	(*2)	0.1	Manufacture of building materials and construction parts	(*3)
	TAKIRON Co., Ltd.	27.15%	Equity	(*2)	0.3	Manufacture of flat and corrugated plastic sheets	(*3)
	C.I. KASEI Co., Ltd.	36.25%	Equity	(*2)	0.1	Manufacture of PVC pipe and film and related materials	(*3)
Food	ITOCHU SHOKUJIN Co., Ltd.	45.12%	Consolidation	(*2)	0.3	Wholesale and distribution of foods	(*3)
	Nishino Trading Co., Ltd.	85.16%	Consolidation	0.5	0.3	Wholesale of foods and sundries	0.7
	NIPPON ACCESS INC.	32.27%	Equity	(*2)	0.4	Wholesale and distribution of foods	(*3)
	Japan Foods Co., Ltd.	20.76%	Equity	0.1	0.2	Production of soft drinks	(*3)
	Fuji Oil Co., Ltd.	19.39%	Equity	(*2)	0.5	Integrated manufacturer of cooking oil and soybean protein	(*3)
	FamilyMart Co., Ltd. (*8)	30.74%	Equity	2.9	2.7	Operation of a convenience store chain, using the name FamilyMart and a franchise system	(*3)
	Prima Meat Packers, Ltd.	39.73%	Equity	(*2)	0.7	Production and marketing of meat, ham, sausage and processed foods	(*3)
Finance, Realty, Insurance & Logistics Services	ITOCHU Finance Corporation (*8)(*9)	88.14%	Consolidation	1.5	0.9	Loan and other finance-related business	2.4
	CENTURY 21 REAL ESTATE OF JAPAN LTD.	55.28%	Consolidation	0.2	0.1	Headquarters of real estate franchise system	(*3)
	i-LOGISTICS CORP.	61.75%	Consolidation	0.3	0.1	Comprehensive logistics services	(*3)
	kabu.com Securities Co., Ltd. (*9)	22.90%	Equity	0.6	0.5	Online stock brokerage	(*3)
	Orient Corporation (*10)	21.22%	Equity	(*2)	-	Consumer credit	(*3)
Overseas	ITOCHU International Inc. (*11) (U.S.A.)	100.00%	Consolidation	(7.2)	4.4	U.S. trading subsidiary	3.7
	ITOCHU Europe PLC. (U.K.)	100.00%	Consolidation	(0.2)	(0.2)	European trading subsidiary	0.8
	ITOCHU Hong Kong Ltd. (*12) (Hong Kong)	100.00%	Consolidation	1.0	0.8	Hong Kong trading subsidiary	1.7
	ITOCHU(China)Holding Co., Ltd. (China)	100.00%	Consolidation	0.6	0.4	China trading subsidiary	1.5
	ITOCHU Australia Ltd. (*6) (Australia)	100.00%	Consolidation	0.6	0.4	Australian trading subsidiary	0.9

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

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

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

Name	Companies' Forecasts	Date of Forecasts	Shares	ITOCHU'S Share of Forecasts	(Expected) Date of Announcement
Century Leasing System, Inc.	6.2	Apr. 28	20.21%	1.3	Oct. 28
ITOCHU TECHNO-SCIENCE Corporation	11.0	Apr. 27	48.75%	5.4	Oct. 27
CRC Solutions Corp.	2.5	Apr. 28	40.38%	1.0	Oct. 31
SPACE SHOWER NETWORKS INC.	0.3	Apr. 27	51.32%	0.2	Oct. 27
Excite Japan Co., Ltd.	1.1	Sep. 26	67.18%	0.8	Oct. 27
JAMCO Corporation	0.4	Apr. 28	20.60%	0.1	Oct. 28
Suncall Corporation	1.4	May. 10	21.43%	0.3	Nov. 1
ITOCHU ENEX CO., LTD.	5.0	Jul. 29	39.83%	2.0	Nov. 2
DAIKEN CORPORATION	3.4	May. 19	19.43%	0.7	Nov. 15
TAKIRON Co., Ltd.	1.9	Oct. 24	27.15%	0.5	Nov. 17
C.I. KASEI Co., Ltd.	2.0	May. 19	36.25%	0.7	Nov. 21
ITOCHU SHOKUJIN Co., Ltd.	(Note1)		45.12%	-	Nov. 15
Japan Foods Co., Ltd.	0.3	Oct. 12	20.76%	0.1	Oct. 20
Fuji Oil Co., Ltd.	5.9	May. 12	19.39%	1.1	Nov. 10
FamilyMart Co., Ltd.	16.5	Apr. 12	30.74%	5.1	Oct. 12
Prima Meat Packers, Ltd.	2.0	May. 23	39.73%	0.8	Nov. 18
CENTURY 21 REAL ESTATE OF JAPAN LTD.	0.5	Apr. 26	55.28%	0.3	Oct. 26
i-LOGISTICS CORP.	1.0	Apr. 28	61.75%	0.6	Oct. 27
kabu.com Securities Co., Ltd.	(Note2)		22.90%	-	Oct. 21
Orient Corporation	53.5	May. 17	21.22%	(Note3) 4.1	Nov. 11

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

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

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

(Note 3) ITOCHU's forecasted net income for Orient Corporation might be different from the calculated figure based on the specified share rate on the list due to temporary U.S. GAAP adjustment at acquisition.

## Performance of Group Companies (3)

For the six months ended September 30, 2005 and 2004

### Major Group Companies Reporting Profits

(Unit: billion yen)

Name	Segment (*13)	Shares	Net income (*1)		Comments
			Apr-Sep 2005	Apr-Sep 2004	
[Domestic subsidiaries]					
ITOCHU TECHNO-SCIENCE Corporation	Aer	48.75%	1.9	1.6	Due to unprofitable business decrease, contribution from supporting business and investment gain from the investment fund
ITOCHU Finance Corporation (*8)(*9)	Fin	88.14%	1.5	0.9	Increase due to finance-related business etc. and good performance in associated companies
ITOCHU PLASTICS INC.	Che	100.00%	1.1	0.8	Continued good performance in wrapping materials and plastic products
ITOCHU Petroleum Japan Ltd. (*5)	Ene	100.00%	1.0	0.6	Good performance in tanker market and crude oil trade
ITC NETWORKS CORPORATION	Aer	97.39%	0.9	1.4	Decrease in cellular phone sales
ITOCHU Fashion System Co., Ltd.	Tex	100.00%	0.7	0.1	Increase due to stock sales and steady growth in existing businesses
ITOCHU Kenzai Corp.	Che	85.94%	0.6	0.9	Decrease due to low performance of domestic housing materials market
ITOCHU Non-Ferrous Materials Co., Ltd.	Aer	100.00%	0.6	0.4	Continuous steady growth in material transactions
JAPAN AEROSPACE CORPORATION	Aer	100.00%	0.5	0.3	Joined to group companies since 2nd Quarter last year, with steady growth in trading.
Nishino Trading Co., Ltd.	Fod	85.16%	0.5	0.3	Due to cost reduction and increase of ITOCHU's share
ITOCHU Pulp & Paper Corp.	Che	100.00%	0.5	0.2	Due to write-down in securities in the same period last year
[Overseas subsidiaries]					
ITOCHU Minerals & Energy of Australia Pty Ltd (*6)(Australia)	Ene	100.00%	14.9	5.3	Substantial increase due to higher price in coal and iron ore
Prime Source Building Products, Inc. (*11)(U.S.A.)	Che	100.00%	2.9	3.1	Decrease due to higher purchase cost, though continuous strong performance in housing market in U.S.A.
ITOCHU Oil Exploration (Azerbaijan) Inc. (Cayman)	Ene	100.00%	1.2	1.1	Steady growth continued through strong oil market
ITOCHU Hong Kong Ltd. (*12)(Hong Kong)	Ove	100.00%	1.0	0.8	Good results of consumer credit-related company and profit increase from insurance-related company
ITOCHU(China)Holding Co., Ltd. (China)	Ove	100.00%	0.6	0.4	Increase due to trade increase in chemical products
ITOCHU Australia Ltd. (*6)(Australia)	Ove	100.00%	0.6	0.4	Increase in profit of mineral and energy resource-related subsidiary
ITOCHU Automobile America Inc. (U.S.A.)	Mac	100.00%	0.5	0.5	Almost at the same level as the same period last year due to increase from acquisition of a dealer offset by profit decrease in associated companies
COSMOS SERVICES COMPANY LIMITED (*12)(Hong Kong)	Fin	95.00%	0.5	0.0	Sale of fixed asset sales, commission income increase and cost reduction
ITOCHU (Thailand) Ltd. (Thailand)	Ove	100.00%	0.5	0.5	Steady growth in chemicals and automobile parts
ITOCHU Singapore Pte, Ltd. (Singapore)	Ove	100.00%	0.5	0.5	Steady growth in chemicals
Pacific Woodtech Corporation (U.S.A.)	Che	100.00%	0.4	0.0	Increase due to strong housing market in North America and improvement in production efficiency
[Domestic associated companies]					
Marubeni-Itchu Steel Inc.	Ene	50.00%	9.5	5.0	Good performance in automotive steel and tubular products
FamilyMart Co., Ltd. (*8)	Fod	30.74%	2.9	2.7	Good performance due to sales increase of ready-to-eat food products and increase in number of stores
kabu.com Securities Co., Ltd. (*9)	Fin	22.90%	0.6	0.5	Increase in number of customers and volumes of stock deal
AI Beverage Holding Co., Ltd.	Fod	20.00%	0.4	0.0	Contribution from beverage business in China invested on last year
[Overseas associated companies]					
Mazda Canada Inc. (Canada)	Mac	40.00%	1.1	0.7	Good sales of Mazda's cars in Canada
BERKSHIRE OIL CO., LTD. (*5)(Hong Kong)	Ene	50.00%	0.6	0.1	Good sales of bunker oil in Panama

### Major Group Companies Reporting Losses

(Unit: billion yen)

Name	Segment (*13)	Shares	Net income (*1)		Comments
			Apr-Sep 2005	Apr-Sep 2004	
[Domestic subsidiaries] (*9)					
On Demand TV, Inc.	Aer	66.26%	(0.5)	0.0	Preceding expenses arising from a full-scale business entry
[Overseas subsidiaries]					
ITOCHU International Inc. (*11)(U.S.A.)	Ove	100.00%	(7.2)	4.4	Decrease due to loss of legal settlement, despite good performance in construction materials and machinery
ITOCHU Airlease B.V. (Netherlands)	Aer	100.00%	(0.4)	(0.5)	Profit deterioration due to interest rate rise and bad loans
CIECO Energy (UK) Limited (U.K.)	Ene	100.00%	(0.2)	-	Newly established corporation
[Domestic associated companies]					
Famima Credit Corporation (*8)	Fin	47.85%	(0.2)	(0.3)	Deficit decrease due to profit improvement by increased members
Yoshinoya D&C Co., Ltd.	Fod	21.09%	(0.2)	(0.3)	Deficit decrease due to profit improvement by release of new products and sales promotion activities

(\*4) The net income of MCL Group Ltd. for the last first half year includes that of AUTOMOTIVE GROUP LIMITED which was consolidated by MCL Group Ltd. in January, 2005.

(\*5) The net income of ITOCHU Petroleum Japan Ltd. includes 25% of that of BERKSHIRE OIL CO., LTD.

(\*6) The net income of ITOCHU Australia Ltd. includes 3.7% of that of ITOCHU Minerals & Energy of Australia Pty Ltd.

(\*7) The net income of ITOCHU CHEMICAL FRONTIER Corporation for the last first half year includes that of ITOCHU Techno-Chemical Inc. which was merged with ITOCHU CHEMICAL FRONTIER Corporation in April, 2005.

(\*8) The net income of ITOCHU Finance Corporation and FamilyMart Co., Ltd. includes 14.54% and 10.25% of that of Famima Credit Corporation. respectively.

(\*9) The net income of ITOCHU Finance Corporation includes 4.18% of that of kabu.com Securities Co., Ltd.

(\*10) Orient Corporation is joined to Group Companies from this fiscal year.

(\*11) The net income of ITOCHU International Inc. includes 80% of that of Prime Source Building Products, Inc.

(\*12) The net income of ITOCHU Hong Kong Ltd. includes 44.2% of that of COSMOS SERVICES COMPANY LIMITED.

(\*13) Tex : Textile

Mac : Machinery

Aer : Aerospace, Electronics & Multimedia

Ene : Energy, Metals & Minerals

Che : Chemicals, Forest Products & General Merchandise

Fod : Food

Fin : Finance, Realty, Insurance & Logistics Services

Ove : Overseas trading subsidiaries

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

ITOCHU Corporation and Subsidiaries

as of September 30, 2005 and March 31, 2005

-Unaudited-

Assets	Millions of Yen		Millions of U.S. dollars
	Sep. 2005	Mar. 2005	Sep. 2005
<b>Current assets:</b>			
Cash and cash equivalents.....	434,587	452,934	3,839
Time deposits.....	3,904	2,684	34
Marketable securities.....	56,447	49,149	499
Trade receivables:			
Notes.....	153,373	155,593	1,355
Accounts.....	1,059,090	950,482	9,357
Allowance for doubtful receivables.....	(19,786)	(20,222)	(175)
Net trade receivables.....	1,192,677	1,085,853	10,537
Due from associated companies.....	96,891	90,174	856
Inventories.....	446,522	420,069	3,945
Advances to suppliers.....	121,002	86,453	1,069
Prepaid expenses.....	28,880	22,878	255
Deferred tax assets.....	44,556	40,096	394
Other current assets.....	210,063	191,605	1,856
Total current assets.....	2,635,529	2,441,895	23,284
<b>Investments and non-current receivables:</b>			
Investments in and advances to associated companies.....	583,559	472,468	5,156
Other investments.....	476,488	441,783	4,209
Other non-current receivables.....	318,338	329,582	2,812
Allowance for doubtful receivables.....	(138,797)	(143,229)	(1,226)
Net investments and non-current receivables.....	1,239,588	1,100,604	10,951
<b>Property and equipment, at cost:</b>			
Land.....	163,993	165,148	1,449
Buildings.....	311,706	310,907	2,754
Machinery and equipment.....	272,494	250,298	2,407
Furniture and fixtures.....	51,016	49,217	451
Mineral rights.....	41,722	28,230	368
Construction in progress.....	8,906	4,482	79
Total property and equipment, at cost.....	849,837	808,282	7,508
Less accumulated depreciation.....	326,424	310,924	2,884
Net property and equipment.....	523,413	497,358	4,624
<b>Prepaid pension cost.....</b>	<b>182,568</b>	178,890	1,613
<b>Deferred tax assets, non-current.....</b>	<b>80,323</b>	109,085	710
<b>Other assets.....</b>	<b>139,960</b>	144,513	1,237
<b>Total.....</b>	<b>4,801,381</b>	4,472,345	42,419

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 September 30, 2005 and March 31, 2005

<b>Liabilities and Stockholders' Equity</b>	Millions of Yen		Millions of U.S. dollars
	Sep. 2005	Mar. 2005	Sep. 2005
<b>Current liabilities:</b>			
Short-term debt .....	<b>472,070</b>	421,697	<b>4,170</b>
Current maturities of long-term debt.....	<b>245,755</b>	255,173	<b>2,171</b>
Trade payables:			
Notes and acceptances.....	<b>158,967</b>	161,798	<b>1,405</b>
Accounts.....	<b>904,978</b>	805,150	<b>7,995</b>
Total trade payables.....	<b>1,063,945</b>	966,948	<b>9,400</b>
Due to associated companies.....	<b>43,084</b>	42,050	<b>381</b>
Accrued expenses.....	<b>105,451</b>	98,136	<b>931</b>
Income taxes payable.....	<b>26,993</b>	24,032	<b>238</b>
Advances from customers.....	<b>129,785</b>	90,153	<b>1,147</b>
Deferred tax liabilities.....	<b>623</b>	802	<b>6</b>
Other current liabilities.....	<b>190,011</b>	161,148	<b>1,679</b>
Total current liabilities .....	<b>2,277,717</b>	2,060,139	<b>20,123</b>
<b>Long-term debt, excluding current maturities.....</b>	<b>1,757,702</b>	1,750,815	<b>15,529</b>
<b>Accrued retirement and severance benefits.....</b>	<b>21,563</b>	22,405	<b>191</b>
<b>Deferred tax liabilities, non-current.....</b>	<b>14,310</b>	11,653	<b>126</b>
<b>Commitments and contingent liabilities</b>			
<b>Minority interests.....</b>	<b>119,303</b>	116,936	<b>1,054</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>1,787</b>
Capital surplus .....	<b>137,029</b>	137,024	<b>1,211</b>
Retained earnings:			
Legal reserve .....	<b>4,983</b>	3,927	<b>44</b>
Other retained earnings .....	<b>237,412</b>	184,273	<b>2,097</b>
Total retained earnings .....	<b>242,395</b>	188,200	<b>2,141</b>
Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments.....	<b>(46,919)</b>	(63,419)	<b>(414)</b>
Minimum pension liability adjustments.....	<b>(1,989)</b>	(2,047)	<b>(18)</b>
Unrealized holding gains on securities.....	<b>79,058</b>	52,746	<b>698</b>
Unrealized holding losses on derivative instruments.....	<b>(64)</b>	(3,522)	<b>0</b>
Total accumulated other comprehensive income (loss)...	<b>30,086</b>	(16,242)	<b>266</b>
Treasury stock, at cost.....	<b>(965)</b>	(826)	<b>(9)</b>
Total stockholders' equity .....	<b>610,786</b>	510,397	<b>5,396</b>
<b>Total .....</b>	<b>4,801,381</b>	4,472,345	<b>42,419</b>

## [Explanation for Consolidated Balance Sheets]

Total assets as of September 30, 2005 increased by 329.0 billion yen from March 31, 2005, to 4,801.4 billion yen (42,419 million U.S. dollars) due to increase in receivables along with rising prices of marketable commodities such as energy and chemicals, additional investment in Orient Corporation, acquisition of energy, resource related interests, and increase in mainly investments of available-for-sale securities resulting from rising in stock prices.

### Assets

	Sep 2005	Mar 2005	(Unit: billion yen)		Reasons for changes
			Increase (Decrease)		
Net trade receivables	1,192.7	1,085.9	106.8	...	Mainly increase in Machinery; Energy; Chemicals, Forest Products & General Merchandise; and Food
Inventories	446.5	420.1	26.5	...	Mainly increase in Textile and Energy
Advances to suppliers	121.0	86.5	34.5	...	Mainly increase in Machinery and Aerospace, Electronics & Multimedia
Investments in and advances to associated companies	583.6	472.5	111.1	...	Mainly increase in investment in Orient Corporation
Other investments	476.5	441.8	34.7	...	Increase due to acquisition of rights related to new energy resources

### Liabilities

	Sep 2005	Mar 2005	(Unit: billion yen)		Reasons for changes
			Increase (Decrease)		
Trade payables	1,063.9	966.9	97.0	...	Mainly increase in Machinery; Energy; Chemicals, Forest Products & General Merchandise; and Food
Advances from customers	129.8	90.2	39.6	...	Mainly increase in Machinery and Aerospace, Electronics & Multimedia
Other current liabilities	190.0	161.1	28.9	...	Mainly increase in Energy and U.S. trading subsidiary
[Interest-bearing debts]					
Short-term loans payable	472.1	421.7	50.4		
Current maturities of long-term loans payable	194.0	160.5	33.5		
Current maturities of debentures	51.8	94.6	(42.9)		
Short-term total	717.8	676.9	41.0		
Long-term loans payable	1,505.8	1,472.7	33.0		
Debentures	167.2	186.0	(18.8)		
Long-term total	1,673.0	1,658.7	14.3		
Total interest-bearing debts	2,390.8	2,335.6	55.2		
SFAS 133 fair value adjustment	4.1	11.1	(7.0)		
Adjusted total interest-bearing debts	2,394.9	2,346.7	48.2		
Cash, cash equivalents and time deposits	438.5	455.6	(17.1)		
Net interest-bearing debts	1,956.5	1,891.1	65.4		
Net debt-to-equity ratio [times]	3.2	3.7	(0.5)		

### Stockholders' equity

	Sep 2005	Mar 2005	(Unit: billion yen)		Reasons for changes
			Increase (Decrease)		
Common stock	202.2	202.2	-		
Capital surplus	137.0	137.0	0.0		
Retained earnings:	242.4	188.2	54.2		
Legal reserve	5.0	3.9	1.1		
Other retained earnings	237.4	184.3	53.1	...	Net income +65.3, Distribution of dividends -11.1, Transfer to legal reserve -1.1
Accumulated other comprehensive income (loss):	30.1	(16.2)	46.3		
Foreign currency translation adjustments	(46.9)	(63.4)	16.5	...	Effect of yen's depreciation against U.S. dollar
Minimum pension liability adjustments	(2.0)	(2.0)	0.1		
Unrealized holding gains on securities	79.1	52.7	26.3	...	Effect of rise in stock prices
Unrealized holding losses on derivative instruments	(0.1)	(3.5)	3.5		
Treasury stock, at cost	(1.0)	(0.8)	(0.1)		
Total stockholders' equity	610.8	510.4	100.4		
Ratio of stockholders' equity	12.7%	11.4%	1.3%		

[Current exchange rate Yen/US\$]

[For March closing companies]

[For December closing companies]

	Sep 2005	Mar 2005	Changes	Jun 2005	Dec 2004	Changes
	113.19	107.39	+5.80	110.62	104.21	+6.41
	Sep 2004	Mar 2004	Changes	Jun 2004	Dec 2003	Changes
	111.05	105.69	+5.36	108.43	107.13	+1.30

	Millions of Yen		Millions of U.S. dollars
	Apr.-Sep. 2005	Apr.-Sep. 2004	Apr.-Sep. 2005
<b>Revenue:</b>			
Sales revenue .....	<b>842,929</b>	711,191	<b>7,447</b>
Trading margins and commissions on trading transactions.....	<b>195,858</b>	195,675	<b>1,730</b>
( Total trading transactions : Apr.-Sep. 2005: 5,015,129 million yen ( 44,307 million U.S.dollars ) Apr.-Sep. 2004: 4,603,147 million yen )			
Total revenue.....	<b>1,038,787</b>	906,866	<b>9,177</b>
Cost of sales.....	<b>(700,403)</b>	(603,098)	<b>(6,187)</b>
<b>Gross trading profit .....</b>	<b>338,384</b>	303,768	<b>2,990</b>
Selling, general and administrative expenses .....	<b>(245,583)</b>	(225,869)	<b>(2,170)</b>
Provision for doubtful receivables.....	<b>(3,505)</b>	(1,824)	<b>(31)</b>
Interest income .....	<b>6,536</b>	5,593	<b>58</b>
Interest expense .....	<b>(18,849)</b>	(16,873)	<b>(167)</b>
Dividends received.....	<b>8,823</b>	6,823	<b>78</b>
Gain (loss) on disposal of investments and marketable securities, including write-down.....	<b>9,749</b>	(3,210)	<b>86</b>
Gain (loss) on property and equipment-net.....	<b>(704)</b>	174	<b>(6)</b>
Other-net.....	<b>(11,712)</b>	1,062	<b>(103)</b>
	<b>(255,245)</b>	(234,124)	<b>(2,255)</b>
<b>Income before income taxes, minority interests and equity in earnings of associated companies.....</b>	<b>83,139</b>	69,644	<b>735</b>
Income taxes.....	<b>(39,402)</b>	(38,531)	<b>(349)</b>
<b>Income before minority interests and equity in earnings of associated companies.....</b>	<b>43,737</b>	31,113	<b>386</b>
Minority interests .....	<b>(5,217)</b>	(4,636)	<b>(46)</b>
Equity in earnings of associated companies .....	<b>26,760</b>	17,658	<b>237</b>
<b>Net income.....</b>	<b>65,280</b>	44,135	<b>577</b>

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.

[Explanation for Consolidated Statements of Operations]

Revenue	(Unit : billion yen)	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	Increase (Decrease)	<u>Reasons for changes</u>		
Revenue		1,038.8	906.9	131.9	Increase in resource-related transactions due to high market prices		
Gross trading profit	(Unit : billion yen)	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	Increase (Decrease)	Refer to page 32 "Segment Information"		
Gross trading profit		338.4	303.8	34.6	Increase due to strong performance in ITOCHU Corporation and existing subsidiaries : +27.4 Effect of newly consolidated subsidiaries : +9.2 Effect of leaving from subsidiaries : -2.3 Effect of exchange rate fluctuations : +0.3		
Selling, general and administrative expenses	(Unit : billion yen)	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	Increase (Decrease)			
Personnel expenses		(110.2)	(101.1)	(9.1)			
(including pension expenses)		(5.4)	(3.7)	(1.6)	Pension expenses: -1.6		
Service charge, distribution costs		(56.2)	(51.1)	(5.1)	Increase accompanied by expansion of business in existing subsidiaries : -13.5		
Rent, depreciation and amortization		(28.9)	(27.8)	(1.1)			
Travel expenses		(10.4)	(9.6)	(0.8)	Effect of newly consolidated subsidiaries : -7.1		
Others		(40.0)	(36.3)	(3.7)	Effect of leaving from subsidiaries : +2.1		
Other expenses		(135.4)	(124.8)	(10.6)	Effect of exchange rate fluctuations : +0.4		
Total		(245.6)	(225.9)	(19.7)			
Provision for doubtful receivables	(Unit : billion yen)	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	Increase (Decrease)			
Provision for doubtful receivables		(3.5)	(1.8)	(1.7)	Increase in provision for doubtful receivables in subsidiaries		
Net financial expenses	(Unit : billion yen)	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	Increase (Decrease)			
Net financial expenses		(3.5)	(4.5)	1.0	(Average) Apr-Sep 2005 Apr-Sep 2004 Changes Short-term prime 1.375% 1.375% - Long-term prime 1.520% 1.757% (0.237%) LIBOR USS 3M 3.067% 1.213% 1.854%		
Interest income		6.5	5.6	0.9			
Interest expense		(18.8)	(16.9)	(2.0)			
Net interest expenses		(12.3)	(11.3)	(1.0)	Effect of rising U.S. loan interest rates		
Dividends received		8.8	6.8	2.0	Dividends received from LNG-related investments +1.1 (3.3 →4.4)		
Gain (loss) on disposal of investments and marketable securities, including write-down	(Unit : billion yen)	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	Increase (Decrease)			
Gain (loss) on disposal of investments and marketable securities, including write-down		9.7	(3.2)	13.0	Net gains on disposal of securities +8.9 (1.4 →10.3), Devaluation losses on securities +2.0(-2.8 →-0.9), Losses for liquidation of businesses and others +2.1(-1.8 →0.3)		
Gain (loss) on property and equipment-net	(Unit : billion yen)	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	Increase (Decrease)			
Gain (loss) on property and equipment-net		(0.7)	0.2	(0.9)	Devaluation losses on fixed assets -1.5, Net gains on disposal of fixed assets +0.7		
Other-net	(Unit : billion yen)	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	Increase (Decrease)			
Other-net		(11.7)	1.1	(12.8)	Legal settlement of a U.S. trading subsidiary -19.5		
Minority interests	(Unit : billion yen)	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	Increase (Decrease)			
Minority interests		(5.2)	(4.6)	(0.6)			
Equity in earnings of associated companies	(Unit : billion yen)	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	Increase (Decrease)			
Equity in earnings of associated companies		26.8	17.7	9.1	Marubeni-Itochu Steel Inc. +4.4, Refer to page 19-20 "Performance of Group Companies (2), (3)"		
<b>Total trading transactions</b>	(Unit : billion yen)	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	Increase (Decrease)			
<b>Total trading transactions</b>		<b>5,015.1</b>	<b>4,603.1</b>	<b>412.0</b>	Refer to page 32 "Segment Information"		
Gross trading profit ratio		6.75%	6.60%	0.15%	(Note) Effect of yen's appreciation against U.S. dollar : Approximately -43.0		
<b>Adjusted profit</b>	(Unit : billion yen)	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	Increase (Decrease)			
<b>Adjusted profit</b>		<b>116.1</b>	<b>91.1</b>	<b>25.0</b>	(*) The amount ( ) presents changes from the same period of the previous fiscal year Adjusted profit(*) (+25.0)= Gross trading profit (+34.6) + SG&A expenses (-19.7) + Net financial expenses (+1.0) + Equity in earnings of associated companies (+9.1)		
	[Average exchange rate Yen/US\$]	[For March closing companies]	[For December closing companies]				
		<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	<u>Changes</u>	<u>Jan-Jun 2005</u>	<u>Jan-Jun 2004</u>	<u>Changes</u>
		108.48	109.80	(1.32)	105.42	108.43	(3.01)
		<u>Apr-Sep 2004</u>	<u>Apr-Sep 2003</u>	<u>Changes</u>	<u>Jan-Jun 2004</u>	<u>Jan-Jun 2003</u>	<u>Changes</u>
		109.80	118.48	(8.68)	108.43	119.35	(10.92)

**Consolidated Statements of Stockholders' Equity [Condensed]**

-Unaudited-

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 2005 and the year ended March 31, 2005

	Millions of Yen		Millions of U.S. dollars
	Apr.-Sep. 2005	Apr.2004- Mar.2005	Apr.-Sep. 2005
<b>Common stock:</b>			
Balance at beginning of period.....	202,241	202,241	1,787
Balance at end of period .....	<u>202,241</u>	<u>202,241</u>	<u>1,787</u>
<b>Capital surplus:</b>			
Balance at beginning of period .....	137,024	136,915	1,211
Excess arising from retirement of treasury stock .....	5	109	0
Balance at end of period.....	<u>137,029</u>	<u>137,024</u>	<u>1,211</u>
<b>Retained earnings:</b>			
Legal reserve:			
Balance at beginning of period .....	3,927	3,450	35
Transfer from other retained earnings .....	1,065	575	9
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies .....	(9)	(98)	0
Balance at end of period .....	<u>4,983</u>	<u>3,927</u>	<u>44</u>
Other retained earnings:			
Balance at beginning of period .....	184,273	106,958	1,627
Net income.....	65,280	77,792	577
Cash dividends.....	(11,085)	-	(98)
Transfer to legal reserve .....	(1,065)	(575)	(9)
Redistribution arising from sale by parent of common stock of subsidiaries and associated companies .....	9	98	0
Balance at end of period .....	<u>237,412</u>	<u>184,273</u>	<u>2,097</u>
<b>Accumulated other comprehensive income (loss):</b>			
Balance at beginning of period.....	(16,242)	(25,982)	(143)
Other comprehensive income.....	46,328	9,740	409
Balance at end of period .....	<u>30,086</u>	<u>(16,242)</u>	<u>266</u>
<b>Treasury stock:</b>			
Balance at beginning of period.....	(826)	(716)	(8)
Net changes in treasury stock .....	(139)	(110)	(1)
Balance at end of period .....	<u>(965)</u>	<u>(826)</u>	<u>(9)</u>
<b>Total.....</b>	<b><u>610,786</u></b>	<b><u>510,397</u></b>	<b><u>5,396</u></b>
<b>Comprehensive income:</b>			
Net income.....	<u>65,280</u>	<u>77,792</u>	<u>577</u>
Other comprehensive income (net of tax):			
Net change in foreign currency translation adjustments during the period.....	16,500	4,348	146
Minimum pension liability adjustments.....	58	(1,413)	0
Net change in unrealized holding gains on securities during the period.....	26,312	7,093	232
Net change in unrealized holding gains (losses) on derivative instruments during the period.....	3,458	(288)	31
Total other comprehensive income.....	<u>46,328</u>	<u>9,740</u>	<u>409</u>
<b>Total.....</b>	<b><u>111,608</u></b>	<b><u>87,532</u></b>	<b><u>986</u></b>

## [Explanation for Statements of Stockholders' Equity ]

### Accumulated other comprehensive income (loss)

#### 1. Foreign currency translation adjustments

[Accounting method]

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

(Unit:billion yen)	<u>Sep 2005</u>	<u>Mar 2005</u>	increase (Decrease)
Current balance :	(46.9)	(63.4)	16.5
	<u>Jun 2005</u>	<u>Dec 2004</u>	<u>Changes</u>
Current rate :	110.62	104.21	+6.41
(Yen/US\$)	<u>Sep 2005</u>	<u>Mar 2005</u>	<u>Changes</u>
	113.19	107.39	+5.80

#### 2. Minimum pension liability adjustments

[Accounting method]

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

(Unit:billion yen)	<u>Sep 2005</u>	<u>Mar 2005</u>	increase (Decrease)
Current balance :	(2.0)	(2.0)	0.1

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

#### 3. Unrealized holding gains on securities

[Accounting method]

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

(Unit:billion yen)	<u>Sep 2005</u>	<u>Mar 2005</u>	increase (Decrease)
Current balance :	79.1	52.7	26.3

#### 4. Unrealized holding losses on derivative instruments

[Accounting method]

Interest rate swap agreements that convert floating-rate interests to fixed-rate interests and that are designated and qualified as cash flow hedges, are recorded at fair value at the end of this period, and differences (net of tax) between carrying amount and fair value are recognized as "Unrealized holding losses on derivative instruments".

Foreign exchange contracts that are primarily used to fix future net cash flows from recognized receivables and payables and unrecognized firm commitments denominated in foreign currencies, are recorded at fair value at the end of this period, and differences (net of tax) between carrying amount and fair value are recognized as "Unrealized holding losses on derivative instruments".

(Unit:billion yen)	<u>Sep 2005</u>	<u>Mar 2005</u>	increase (Decrease)
Current balance :	(0.1)	(3.5)	3.5

**Consolidated Statements of Cash Flows [Condensed]**

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 2005 and 2004

-Unaudited-

	Millions of Yen		Millions of U.S. dollars
	<u>Apr.-Sep. 2005</u>	Apr.-Sep. 2004	<u>Apr.-Sep. 2005</u>
<b>Cash flows from operating activities :</b>			
Net income .....	<b>65,280</b>	44,135	<b>577</b>
Adjustments to reconcile net income to net cash provided by operating activities :			
Depreciation and amortization .....	<b>19,530</b>	20,229	<b>172</b>
Provision for doubtful receivables .....	<b>3,505</b>	1,824	<b>31</b>
(Gain) loss on disposal of investments and marketable securities, including write-down.....	<b>(9,749)</b>	3,210	<b>(86)</b>
(Gain) loss on property and equipment-net.....	<b>704</b>	(174)	<b>6</b>
Equity in earnings of associated companies, less dividends received ...	<b>(21,761)</b>	(14,678)	<b>(192)</b>
Deferred income taxes .....	<b>7,993</b>	11,578	<b>71</b>
Minority interests .....	<b>5,217</b>	4,636	<b>46</b>
Changes in assets and liabilities, other-net .....	<b>(30,115)</b>	(87,236)	<b>(266)</b>
Net cash provided by (used in) operating activities .....	<b>40,604</b>	(16,476)	<b>359</b>
<b>Cash flows from investing activities :</b>			
Net purchases of property, equipment and other assets .....	<b>(22,439)</b>	(19,974)	<b>(198)</b>
Net increase in investments in and advances to associated companies .....	<b>(55,168)</b>	(5,819)	<b>(487)</b>
Net purchases of other investments .....	<b>(8,654)</b>	(27,823)	<b>(77)</b>
Net collections of other non-current loan receivables .....	<b>10,376</b>	14,833	<b>92</b>
Net (increase) decrease in time deposits.....	<b>14</b>	(2,436)	<b>0</b>
Net (increase) decrease in marketable securities.....	<b>(4,242)</b>	3,968	<b>(38)</b>
Net cash used in investing activities .....	<b>(80,113)</b>	(37,251)	<b>(708)</b>
<b>Cash flows from financing activities :</b>			
Net repayments of long-term debt .....	<b>(7,985)</b>	(111,248)	<b>(71)</b>
Net increase (decrease) in short-term debt .....	<b>39,052</b>	(41,232)	<b>345</b>
Other .....	<b>(12,720)</b>	(1,134)	<b>(112)</b>
Net cash provided by (used in) financing activities .....	<b>18,347</b>	(153,614)	<b>162</b>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>2,815</b>	878	<b>25</b>
<b>Net decrease in cash and cash equivalents .....</b>	<b>(18,347)</b>	(206,463)	<b>(162)</b>
<b>Cash and cash equivalents at beginning of period .....</b>	<b>452,934</b>	579,565	<b>4,001</b>
<b>Cash and cash equivalents at end of period .....</b>	<b>434,587</b>	373,102	<b>3,839</b>

[Explanation for Statements of Cash Flows ]

Note :  
Explanation for indication

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

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

**Cash flows from operating activities**

(Unit: billion yen)

	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	<u>Increase (Decrease)</u>	<u>Reasons for increase/decrease</u>
Net income	65.3	44.1	21.1	Changes in net income +21.1
*Non-cash charges of P/L	5.4	26.6	(21.2)	(Gain) loss on property and equipment-net (13.0), Equity in earnings of associated companies (7.1) etc.
Changes in assets and liabilities, other-net	(30.1)	(87.2)	57.1	Inventories +44.7, Trade receivables/payables +28.5 etc.
Net cash provided by (used in) operating activities	40.6	(16.5)	57.1	

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

**Cash flows from investing activities**

(Unit: billion yen)

	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	<u>Increase (Decrease)</u>	
Net purchases of property, equipment and other assets	(22.4) a	(20.0) b	(2.5)	a : Mineral resources subsidiary (6.9) etc. b : Food subsidiaries (4.9) etc.
Net increase in investments in and advances to associated companies	(55.2) a	(5.8) b	(49.3)	a : Investment in Orient Corporation (47.6) etc. b : Additional investment in Nippon Access (2.8) etc.
Net purchases of other investments	(8.7) a	(27.8) b	19.2	a : Investment in energy-related subsidiaries (9.2) etc. b : Additional investment in information-related subsidiaries (9.8) etc.
Net collections of other non-current loan receivables	10.4 a	14.8 b	(4.5)	a : Financing subsidiary +2.2 etc. b : Parent +15.1 etc.
Net (increase) decrease in time deposits	0.0	(2.4)	2.5	
Net (increase) decrease in marketable securities	(4.2)	4.0 b	(8.2)	b : Financing subsidiaries +0.8 etc.

**Cash flows from financing activities**

(Unit: billion yen)

	<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	<u>Increase (Decrease)</u>	
Net repayments of long-term debt	(8.0)	(111.2) b	103.3	b : Parent (113.7) etc.
Net increase (decrease) in short-term debt	39.1 a	(41.2) b	80.3	a : ITOCHU International Inc. +13.1 etc. b : Parent (29.4), Financing subsidiaries (8.0) etc.
Other	(12.7) a	(1.1) b	(11.6)	a : Dividends paid (11.1) etc. b : Dividends paid to minority shareholders (1.6) etc.

(Note)

Changes in current maturities of long-term debt are included in "Net repayments of long-term debt" on the statements of cash flows.

**Total Trading Transactions and Gross Trading Profit**

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 2005 and 2004

	Yen (millions)		U.S.dollars (millions)	
	Apr.-Sep. 2005	Apr.-Sep. 2004	Apr.-Sep. 2005	Apr.-Sep. 2004
<b>Total Trading Transactions:</b>				
		%		%
Textile	406,575	8.1	404,563	8.8
Machinery	704,366	14.0	569,128	12.4
Aerospace, Electronics & Multimedia	300,766	6.0	286,563	6.2
Energy, Metals & Minerals	1,307,697	26.1	1,150,379	25.0
Chemicals, Forest Products & General Merchandise	949,729	18.9	893,369	19.4
Food	1,095,820	21.9	1,087,321	23.6
Finance, Realty, Insurance & Logistics Services, & Other	250,176	5.0	211,824	4.6
<b>Total</b>	<b>5,015,129</b>	<b>100.0</b>	<b>4,603,147</b>	<b>100.0</b>
<b>Gross Trading Profit:</b>				
		%		%
Textile	59,320	17.5	54,627	18.0
Machinery	32,234	9.5	28,710	9.4
Aerospace, Electronics & Multimedia	51,689	15.3	50,101	16.5
Energy, Metals & Minerals	33,148	9.8	19,190	6.3
Chemicals, Forest Products & General Merchandise	52,895	15.6	50,462	16.6
Food	72,337	21.4	68,604	22.6
Finance, Realty, Insurance & Logistics Services, & Other	36,761	10.9	32,074	10.6
<b>Total</b>	<b>338,384</b>	<b>100.0</b>	<b>303,768</b>	<b>100.0</b>

[Explanation for Total Trading Transactions and Gross Trading Profit ]

Total trading transactions by products

(Unit:billion yen)

	Apr-Sep 2005		Apr-Sep 2004		Increase/Decrease	
	Amounts	(Components)	Amounts	(Components)	Amounts	(Changes ratio)
Energy, Metals & Minerals	1,307.7	( 26.1 %)	1,150.4	( 25.0 %)	+ 157.3	( + 13.7 %)
Metals and Minerals	225.6	( 4.5 %)	185.0	( 4.0 %)	+ 40.6	( + 21.9 %)
Energy	1,082.1	( 21.6 %)	965.3	( 21.0 %)	+ 116.7	( + 12.1 %)
Chemicals, Forest Products & General Merchandise	949.7	( 18.9 %)	893.4	( 19.4 %)	+ 56.4	( + 6.3 %)
Forest Products & General Merchandise	432.0	( 8.6 %)	413.8	( 9.0 %)	+ 18.2	( + 4.4 %)
Chemicals	517.7	( 10.3 %)	479.6	( 10.4 %)	+ 38.1	( + 7.9 %)
Finance, Realty, Insurance & Logistics Services, & Other	250.2	( 5.0 %)	211.8	( 4.6 %)	+ 38.4	( + 18.1 %)
Construction & Realty	68.3	( 1.4 %)	49.3	( 1.1 %)	+ 19.1	( + 38.7 %)
Finance, Insurance & Logistics Services	47.8	( 0.9 %)	45.7	( 1.0 %)	+ 2.0	( + 4.5 %)
Other, Adjustments & Eliminations	134.1	( 2.7 %)	116.8	( 2.5 %)	+ 17.3	( + 14.8 %)

(Note)

Yen/US\$ average rate

	[For March closing companies]	[For December closing companies]
Apr-Sep 2005	108.48 Yen/US\$	105.42 Yen/US\$
Apr-Sep 2004	109.80 Yen/US\$	108.43 Yen/US\$
	1.32 yen's appreciation (1.22%)	3.01 yen's appreciation (2.86%)

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

Import	-7.5
Export	-5.0
Offshore	-30.5
Total	-43.0 billion yen (approximately)

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

: Approximately 24.0 billion yen per half-year

Gross trading profit by products

(Unit:billion yen)

	Apr-Sep 2005		Apr-Sep 2004		Increase/Decrease	
	Amounts	(Components)	Amounts	(Components)	Amounts	(Changes ratio)
Energy, Metals & Minerals	33.1	( 9.8 %)	19.2	( 6.3 %)	+ 14.0	( + 72.7 %)
Metals and Minerals	24.3	( 7.2 %)	12.0	( 4.0 %)	+ 12.3	( + 102.3 %)
Energy	8.8	( 2.6 %)	7.2	( 2.3 %)	+ 1.6	( + 23.0 %)
Chemicals, Forest Products & General Merchandise	52.9	( 15.6 %)	50.5	( 16.6 %)	+ 2.4	( + 4.8 %)
Forest Products & General Merchandise	34.3	( 10.1 %)	33.3	( 11.0 %)	+ 1.1	( + 3.2 %)
Chemicals	18.6	( 5.5 %)	17.2	( 5.6 %)	+ 1.4	( + 8.0 %)
Finance, Realty, Insurance & Logistics Services, & Other	36.8	( 10.9 %)	32.1	( 10.6 %)	+ 4.7	( + 14.6 %)
Construction & Realty	10.2	( 3.0 %)	8.5	( 2.8 %)	+ 1.7	( + 19.6 %)
Finance, Insurance & Logistics Services	10.6	( 3.2 %)	8.1	( 2.7 %)	+ 2.6	( + 32.1 %)
Other, Adjustments & Eliminations	15.9	( 4.7 %)	15.5	( 5.1 %)	+ 0.4	( + 2.8 %)

**Segment Information**

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 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 six months ended September 30, 2005 and 2004 is as follows:

<b>2005</b>									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 .....	406,575	704,366	300,766	1,307,697	949,729	1,095,820	116,095	134,081	5,015,129
Transfers between operating segments ..	579	180	1,602	708	2,744	149	2,953	(8,915)	-
Total trading transactions .....	407,154	704,546	302,368	1,308,405	952,473	1,095,969	119,048	125,166	5,015,129
Gross trading profit .....	59,320	32,234	51,689	33,148	52,895	72,337	20,849	15,912	338,384
Net income (loss) .....	7,310	5,963	5,872	28,777	8,735	9,581	4,678	(5,636)	65,280
[Equity in earnings of associated companies].....	[272]	[3,004]	[487]	[12,097]	[1,234]	[5,704]	[3,854]	[108]	[26,760]
Identifiable assets at September 30.....	383,903	496,152	491,850	626,900	625,482	771,783	654,864	750,447	4,801,381
<b>2004</b>									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 .....	404,563	569,128	286,563	1,150,379	893,369	1,087,321	95,000	116,824	4,603,147
Transfers between operating segments ..	532	131	788	395	3,128	127	2,631	(7,732)	-
Total trading transactions .....	405,095	569,259	287,351	1,150,774	896,497	1,087,448	97,631	109,092	4,603,147
Gross trading profit .....	54,627	28,710	50,101	19,190	50,462	68,604	16,592	15,482	303,768
Net income (loss) .....	7,648	5,559	4,338	12,725	13,131	9,153	927	(9,346)	44,135
[Equity in earnings (losses) of associated companies].....	[158]	[2,696]	[479]	[6,961]	[2,715]	[5,031]	[899]	[(1,281)]	[17,658]
Identifiable assets at September 30.....	382,171	435,492	486,323	515,490	594,003	757,107	600,696	670,079	4,441,361
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
<b>2005</b>									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 .....	3,592	6,223	2,657	11,553	8,391	9,681	1,026	1,184	44,307
Transfers between operating segments ..	5	1	14	6	24	2	26	(78)	-
Total trading transactions .....	3,597	6,224	2,671	11,559	8,415	9,683	1,052	1,106	44,307
Gross trading profit .....	524	285	457	293	467	639	184	141	2,990
Net income (loss) .....	65	53	52	254	77	85	41	(50)	577
[Equity in earnings of associated companies].....	[3]	[27]	[4]	[107]	[11]	[50]	[34]	[1]	[237]
Identifiable assets at September 30.....	3,392	4,383	4,345	5,539	5,526	6,818	5,786	6,630	42,419

Note :

- "Equity in earnings (losses) 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	<u>Reasons for changes</u>
		<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	(Decrease)	
Textile	...	406.6	404.6	2.0	... Increase due to contribution of a newly consolidated Men's apparel-related subsidiary, though decrease in up/midstream
Machinery	...	704.4	569.1	135.2	... Increase in plant and automobile transactions
Aerospace, Electronics & Multimedia	...	300.8	286.6	14.2	... Increase due to acquisition of an aerospace-related subsidiary in the second quarter of the previous fiscal year
Energy, Metals & Minerals	...	1,307.7	1,150.4	157.3	... Increase due to rising prices in coal, iron ore, and crude oil
Chemicals, Forest Products & General Merchandise	...	949.7	893.4	56.4	... Increase due to continuous high market prices of chemicals, steady growth in housing material-related transactions in North America, and contribution of new subsidiaries
Food	...	1,095.8	1,087.3	8.5	... Increase due to acquisition of subsidiaries in addition to transaction increase in food distribution subsidiaries
Finance, Realty, Insurance & Logistics Services	...	116.1	95.0	21.1	... Increase due to overseas brokerage transactions in addition to increase in condominium sales in construction & realty
Others	...	134.1	116.8	17.3	... Increase in overseas trading subsidiaries in Asia
<b>Total</b>		<b>5,015.1</b>	<b>4,603.1</b>	<b>412.0</b>	
<b>Gross trading profit</b>	(Unit : billion yen)			Increase	<u>Reasons for changes</u>
		<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	(Decrease)	
Textile	...	59.3	54.6	4.7	... Increase due to contribution of a newly consolidated Men's apparel-related subsidiary
Machinery	...	32.2	28.7	3.5	... Increase due to expansion of automobile business in Europe & U.S., good performance in construction machinery business in North America
Aerospace, Electronics & Multimedia	...	51.7	50.1	1.6	... Increase due to acquisition of an aerospace-related subsidiary in the second quarter of the previous fiscal year, and improvement of profit margin in IT business
Energy, Metals & Minerals	...	33.1	19.2	14.0	... Increase due to rising prices in coal, iron ore, and crude oil
Chemicals, Forest Products & General Merchandise	...	52.9	50.5	2.4	... Same as the first half of the previous fiscal year through high market prices of housing materials in North America and chemicals. Increase due to contribution of new subsidiaries, despite low performance in domestic housing market
Food	...	72.3	68.6	3.7	... Increase due to acquisition of subsidiaries in addition to transactional income increase in food distribution subsidiaries and profit improvement in foodstuff subsidiaries
Finance, Realty, Insurance & Logistics Services	...	20.8	16.6	4.3	... Increase due to condominium sales increase and profit growth in distribution subsidiaries
Others	...	15.9	15.5	0.4	... Increase in overseas trading subsidiaries in Asia
<b>Total</b>		<b>338.4</b>	<b>303.8</b>	<b>34.6</b>	
<b>Net income (loss)</b>	(Unit : billion yen)			Increase	<u>Reasons for changes</u>
		<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	(Decrease)	
Textile	...	7.3	7.6	(0.3)	... Slight decrease due to low performance of overseas subsidiaries
Machinery	...	6.0	5.6	0.4	... Increase due to gross trading profit increase in automobile and industrial machinery
Aerospace, Electronics & Multimedia	...	5.9	4.3	1.5	... Increase due to gains on disposal of IT-related securities
Energy, Metals & Minerals	...	28.8	12.7	16.1	... Increase in gross trading profit, and good performance of a steel product-related associated company
Chemicals, Forest Products & General Merchandise	...	8.7	13.1	(4.4)	... Decrease due to increase in SG&A, deteriorated net interest expenses, and decrease in equity in earnings of associated companies
Food	...	9.6	9.2	0.4	... Increase in gross trading profit and equity in earnings of associated companies
Finance, Realty, Insurance & Logistics Services	...	4.7	0.9	3.8	... Increase in gross trading profit and contribution of a new finance-related associated company
Others	...	(5.6)	(9.3)	3.7	... Increase due to gains on disposal of securities, and a reduction of income taxes despite decrease due to a legal settlement of a U.S. trading subsidiary
<b>Total</b>		<b>65.3</b>	<b>44.1</b>	<b>21.1</b>	
<b>Identifiable assets</b>	(Unit : billion yen)			Increase	<u>Reasons for changes</u>
		<u>Sep. 2005</u>	<u>Mar. 2005</u>	(Decrease)	
Textile	...	383.9	377.2	6.7	... Increase in investments on new and listed stocks resulted from increase of unrealized profits
Machinery	...	496.2	451.4	44.7	... Increase in trade receivables due to increase in plant and automobile transactions
Aerospace, Electronics & Multimedia	...	491.9	489.4	2.4	... Almost the same as the previous fiscal year
Energy, Metals & Minerals	...	626.9	491.0	135.9	... Increase in trade receivables of energy due to rising crude oil price
Chemicals, Forest Products & General Merchandise	...	625.5	583.7	41.8	... Increase in trade receivables and inventories mainly due to high market prices of chemicals
Food	...	771.8	728.0	43.8	... Increase in trade receivables and inventories due to a growing demand for summer gifts
Finance, Realty, Insurance & Logistics Services	...	654.9	615.3	39.6	... Increase due to an investment in the finance-related associated company
Others	...	750.4	736.3	14.2	... Increase in trade receivables from overseas trading subsidiaries
<b>Total</b>		<b>4,801.4</b>	<b>4,472.3</b>	<b>329.0</b>	

Information concerning operations in different geographical areas for the six months ended September 30, 2005 and 2004 is as follows:

	2005						Yen (millions)
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Total trading transactions:							
Unaffiliated customers and associated companies .....	3,507,375	271,247	103,503	995,731	137,273	-	5,015,129
Transfers between geographical areas .....	899,904	88,602	20,369	836,564	254,757	(2,100,196)	-
Total trading transactions .....	<u>4,407,279</u>	<u>359,849</u>	<u>123,872</u>	<u>1,832,295</u>	<u>392,030</u>	<u>(2,100,196)</u>	<u>5,015,129</u>
Identifiable assets at September 30 .....	<u>3,970,883</u>	<u>348,959</u>	<u>178,924</u>	<u>325,520</u>	<u>319,289</u>	<u>(342,194)</u>	<u>4,801,381</u>

	2004						Yen (millions)
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Total trading transactions:							
Unaffiliated customers and associated companies .....	3,506,062	213,283	88,248	694,303	101,251	-	4,603,147
Transfers between geographical areas .....	680,516	100,496	19,970	762,008	126,826	(1,689,816)	-
Total trading transactions .....	<u>4,186,578</u>	<u>313,779</u>	<u>108,218</u>	<u>1,456,311</u>	<u>228,077</u>	<u>(1,689,816)</u>	<u>4,603,147</u>
Identifiable assets at September 30 .....	<u>3,809,707</u>	<u>302,583</u>	<u>155,872</u>	<u>261,403</u>	<u>292,219</u>	<u>(380,423)</u>	<u>4,441,361</u>
Identifiable assets at March 31, 2005 .....	<u>3,836,513</u>	<u>295,259</u>	<u>160,720</u>	<u>225,125</u>	<u>285,225</u>	<u>(330,497)</u>	<u>4,472,345</u>

	2005						U.S.dollars (millions)
	Japan	North America	Europe	Asia	Other Areas	Eliminations or Unallocated	Consolidated
Total trading transactions:							
Unaffiliated customers and associated companies .....	30,987	2,396	914	8,797	1,213	-	44,307
Transfers between geographical areas .....	7,950	783	180	7,391	2,251	(18,555)	-
Total trading transactions .....	<u>38,937</u>	<u>3,179</u>	<u>1,094</u>	<u>16,188</u>	<u>3,464</u>	<u>(18,555)</u>	<u>44,307</u>
Identifiable assets at September 30 .....	<u>35,081</u>	<u>3,083</u>	<u>1,581</u>	<u>2,876</u>	<u>2,821</u>	<u>(3,023)</u>	<u>42,419</u>

Note :

- The above information is prepared in accordance with Japanese reporting practices.
- "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.
- The above information presents total trading transactions and identifiable assets by each geographical segment that is based on the nearest region where ITOCHU Corporation and its subsidiaries are located.

[Explanation for Geographical Segment Information ]

<b><u>Total trading transactions</u></b>	(Unit : billion yen)				<u>Reasons for changes</u>
		<u>Apr-Sep 2005</u>	<u>Apr-Sep 2004</u>	<u>Increase (Decrease)</u>	
Japan	...	3,507.4	3,506.1	1.3	
North America	...	271.2	213.3	58.0	... Increase in construction machinery/automobile and energy, and building materials sector reflecting strong housing market
Europe	...	103.5	88.2	15.3	... Increase in distribution, automobile and energy related business
Asia	...	995.7	694.3	301.4	... Increase due to rising crude oil prices in energy, and also increase in chemical-related business
Other Areas	...	137.3	101.3	36.0	... Increase due to rising prices of coal and iron ore
Eliminations or Unallocated	...	-	-	-	
<b>Total</b>		<b>5,015.1</b>	<b>4,603.1</b>	<b>412.0</b>	

<b><u>Identifiable assets</u></b>	(Unit : billion yen)				<u>Reasons for changes</u>
		<u>Sep 2005</u>	<u>Mar 2005</u>	<u>Increase (Decrease)</u>	
Japan	...	3,970.9	3,836.5	134.4	... Increase due to investment in finance-related business, and increase in trade receivables from energy due to rising crude oil price
North America	...	349.0	295.3	53.7	... Trade receivable increase due to sales increase in construction machinery, automobile, and building materials
Europe	...	178.9	160.7	18.2	... Increase due to acquiring new energy resource-related rights
Asia	...	325.5	225.1	100.4	... Increase in trade receivables due to rising crude oil prices
Other Areas	...	319.3	285.2	34.1	... Increase in mineral resources-related business
Eliminations or Unallocated	...	(342.2)	(330.5)	(11.7)	
<b>Total</b>		<b>4,801.4</b>	<b>4,472.3</b>	<b>329.0</b>	

**Fair Value of Financial Instruments**  
 ITOCHU Corporation and Subsidiaries  
 September 30, 2005 and March 31, 2005

**Securities**

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

The cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of those available-for-sale securities as of September 30, 2005 and March 31, 2005 are as follows:

		<b>Sep. 2005</b>							
		Cost		Gross Unrealized Holding Gains		Gross Unrealized Holding Losses		Fair Value	
		Yen (millions)	U.S.dollars (millions)	Yen (millions)	U.S.dollars (millions)	Yen (millions)	U.S.dollars (millions)	Yen (millions)	U.S.dollars (millions)
Available-for-sale:									
Current:	Equity securities	-	-	-	-	-	-	-	-
	Debt securities	<b>16,700</b>	<b>147</b>	<b>2</b>	<b>0</b>	<b>19</b>	<b>0</b>	<b>16,683</b>	<b>147</b>
		<b>16,700</b>	<b>147</b>	<b>2</b>	<b>0</b>	<b>19</b>	<b>0</b>	<b>16,683</b>	<b>147</b>
Non-current:	Equity securities	<b>110,982</b>	<b>980</b>	<b>115,556</b>	<b>1,021</b>	<b>1,377</b>	<b>12</b>	<b>225,161</b>	<b>1,989</b>
	Debt securities	<b>1,314</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>1</b>	<b>1,261</b>	<b>11</b>
		<b>112,296</b>	<b>992</b>	<b>115,556</b>	<b>1,021</b>	<b>1,430</b>	<b>13</b>	<b>226,422</b>	<b>2,000</b>
		<b>Mar. 2005</b>							
		Cost		Gross Unrealized Holding Gains		Gross Unrealized Holding Losses		Fair Value	
		Yen (millions)		Yen (millions)		Yen (millions)		Yen (millions)	
Available-for-sale:									
Current:	Equity securities	-		-		-		-	
	Debt securities	12,642		1		1		12,642	
		12,642		1		1		12,642	
Non-current:	Equity securities	102,243		75,687		1,988		175,942	
	Debt securities	2,065		-		172		1,893	
		104,308		75,687		2,160		177,835	

## Forward Looking Statements

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