

Consolidated Statements of Cash Flows

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2006, 2005 and 2004

| | Millions of Yen | | | Millions of U.S. dollars (Note 2) |
|---|------------------|------------------|------------------|---|
| | 2006 | 2005 | 2004 | 2006 |
| Cash flows from operating activities: | | | | |
| Net income (loss) | ¥ 145,146 | ¥ 77,792 | ¥ (31,944) | \$ 1,236 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 44,062 | 40,086 | 40,184 | 375 |
| Provision for doubtful receivables | 14,728 | 6,181 | 10,624 | 125 |
| (Gain) loss on disposal of investments and marketable securities, net of write-down | (51,601) | 25,384 | 13,633 | (439) |
| Loss on property and equipment-net | 7,917 | 5,959 | 129,432 | 67 |
| Equity in earnings of associated companies, less dividends received ... | (43,239) | (25,942) | (17,310) | (368) |
| Deferred income taxes | 41,691 | 15,556 | (76,579) | 355 |
| Minority interests | 13,098 | 11,387 | 10,042 | 112 |
| Extraordinary items-gain on negative goodwill, less applicable income taxes | — | — | (1,828) | — |
| Cumulative effect of an accounting change, less applicable income taxes | 3,439 | — | — | 29 |
| Change in assets and liabilities: | | | | |
| Trade receivables | (92,507) | (66,084) | 78,110 | (787) |
| Due from associated companies | (3,329) | (6,786) | 9,747 | (28) |
| Inventories | (26,045) | (42,907) | 26,592 | (222) |
| Trade payables | 91,919 | 54,274 | (10,784) | 782 |
| Due to associated companies | 4,705 | (890) | 5,429 | 40 |
| Other-net | 35,163 | 32,614 | (568) | 299 |
| Net cash provided by operating activities | 185,147 | 126,624 | 184,780 | 1,576 |
| Cash flows from investing activities: | | | | |
| Payments for purchases of property, equipment and other assets ... | (68,809) | (68,656) | (71,735) | (586) |
| Proceeds from sales of property, equipment and other assets | 36,392 | 11,841 | 23,789 | 310 |
| Net (increase) decrease in investments in and advances to associated companies | (43,224) | 11,686 | (8,546) | (368) |
| Payments for purchases of other investments | (97,852) | (115,154) | (46,611) | (833) |
| Proceeds from sales of other investments | 67,011 | 27,792 | 38,998 | 570 |
| Proceeds from sales of subsidiaries' common stock | 25,460 | 7,113 | 2,098 | 217 |
| Origination of other non-current loan receivables | (38,212) | (54,500) | (56,409) | (325) |
| Collections of other non-current loan receivables | 52,445 | 56,310 | 53,634 | 446 |
| Net (increase) decrease in time deposits | (20,491) | 653 | 9,769 | (174) |
| Net (increase) decrease in marketable securities | 7,409 | (4,685) | (287) | 63 |
| Net cash used in investing activities | (79,871) | (127,600) | (55,300) | (680) |
| Cash flows from financing activities: | | | | |
| Proceeds from long-term debt | 503,202 | 324,230 | 602,557 | 4,284 |
| Repayments of long-term debt | (578,895) | (397,535) | (627,925) | (4,928) |
| Net increase (decrease) in short-term debt | 2,413 | (50,153) | (47,543) | 21 |
| Proceeds from minority interests through issuance of subsidiaries' common stock | 9,017 | 1,586 | 393 | 77 |
| Cash dividends | (17,418) | — | (3,956) | (149) |
| Cash dividends to minority interests | (3,073) | (3,266) | (3,270) | (26) |
| Net (increase) decrease in treasury stock | (439) | (204) | 49 | (4) |
| Net cash used in financing activities | (85,193) | (125,342) | (79,695) | (725) |
| Effect of exchange rate changes on cash and cash equivalents | 4,690 | (313) | (4,376) | 40 |
| Net increase (decrease) in cash and cash equivalents | 24,773 | (126,631) | 45,409 | 211 |
| Cash and cash equivalents at beginning of year | 452,934 | 579,565 | 534,156 | 3,856 |
| Cash and cash equivalents at end of year | ¥ 477,707 | ¥ 452,934 | ¥ 579,565 | \$ 4,067 |
| Supplemental disclosures of cash flow information | | | | |
| Cash paid during the year for: | | | | |
| Interest | ¥ 39,044 | ¥ 31,048 | ¥ 42,204 | \$ 332 |
| Income taxes | 40,162 | 39,701 | 30,808 | 342 |
| Information regarding non-cash investing and financing activities: | | | | |
| Withdrawal of plan assets (note 12) | — | 10,484 | 25,618 | — |
| Non-monetary exchange of shares | 3,539 | — | 628 | 30 |
| Exchange of assets in transfer of business: | | | | |
| Assets contributed | — | — | 5,630 | — |
| Liabilities extinguished | — | — | 92 | — |
| Assets received | — | — | 5,538 | — |

See notes to consolidated financial statements.