

CONSOLIDATED STATEMENTS OF CASH FLOWS

ITOCHU Corporation and Subsidiaries

Years ended March 31, 2005, 2004 and 2003

	Millions of Yen			Millions of U.S. dollars (Note 2)
	2005	2004	2003	2005
Cash flows from operating activities:				
Net income (loss).....	¥ 77,792	¥ (31,944)	¥ 20,078	\$ 724
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	40,086	40,184	33,794	373
Provision for doubtful receivables	6,181	10,624	16,845	58
Loss on disposal of investments and marketable securities, including write-down	25,384	13,633	13,182	236
Loss on property and equipment-net	5,959	129,432	755	55
Equity in earnings of associated companies, less dividends received ..	(25,942)	(17,310)	(12,104)	(242)
Deferred income taxes	15,556	(76,579)	14,365	145
Minority interests	11,387	10,042	10,484	107
Extraordinary items-gain on negative goodwill	—	(1,828)	—	—
Change in assets and liabilities:				
Trade receivables	(66,084)	78,110	103,642	(615)
Due from associated companies	(6,786)	9,747	21,308	(63)
Inventories	(42,907)	26,592	20,780	(400)
Trade payables	54,274	(10,784)	(40,894)	505
Due to associated companies	(890)	5,429	(331)	(8)
Other-net	32,614	(568)	(33,061)	304
Net cash provided by operating activities	126,624	184,780	168,843	1,179
Cash flows from investing activities:				
Payments for purchases of property, equipment and other assets	(68,656)	(71,735)	(47,310)	(639)
Proceeds from sales of property, equipment and other assets	11,841	23,789	30,754	110
Net (increase) decrease in investments in and advances to associated companies	11,686	(8,546)	(8,558)	109
Payments for purchases of other investments	(115,154)	(46,611)	(47,335)	(1,072)
Proceeds from sales of other investments	27,792	38,998	43,354	259
Proceeds from sales of subsidiaries' common stock	7,113	2,098	4,385	66
Origination of other non-current loan receivables	(54,500)	(56,409)	(52,797)	(507)
Collections of other non-current loan receivables	56,310	53,634	70,116	524
Net decrease in time deposits	653	9,769	2,573	6
Net (increase) decrease in marketable securities	(4,685)	(287)	10,071	(44)
Net cash (used in) provided by investing activities	(127,600)	(55,300)	5,253	(1,188)
Cash flows from financing activities:				
Proceeds from long-term debt	324,230	602,557	483,477	3,019
Repayments of long-term debt	(397,535)	(627,925)	(620,534)	(3,702)
Net decrease in short-term debt	(50,153)	(47,543)	(22,205)	(467)
Proceeds from issuance of common stock	—	—	54,777	—
Proceeds from minority interests through issuance of subsidiaries' common stock	1,586	393	1,405	15
Cash dividends	—	(3,956)	(7,521)	—
Cash dividends to minority interests	(3,266)	(3,270)	(3,164)	(30)
Net (increase) decrease in treasury stock	(204)	49	(276)	(2)
Net cash used in financing activities	(125,342)	(79,695)	(114,041)	(1,167)
Effect of exchange rate changes on cash and cash equivalents	(313)	(4,376)	(5,633)	(3)
Net increase (decrease) in cash and cash equivalents	(126,631)	45,409	54,422	(1,179)
Cash and cash equivalents at beginning of year	579,565	534,156	479,734	5,397
Cash and cash equivalents at end of year	¥ 452,934	¥ 579,565	¥ 534,156	\$ 4,218
Supplemental disclosures of cash flow information				
Cash paid during the year for:				
Interest	¥ 31,048	¥ 42,204	¥ 49,915	\$ 289
Income taxes	39,701	30,808	35,162	370
Information regarding non-cash investing and financing activities:				
Contribution of securities to pension trust (note 10)	—	—	52,358	—
Withdrawal of plan assets (note 10)	10,484	25,618	—	98
Non-monetary exchange of shares	—	628	3,054	—
Exchange of assets in transfer of business:				
Assets contributed	—	5,630	—	—
Liabilities extinguished	—	92	—	—
Assets received	—	5,538	—	—

See notes to consolidated financial statements.