

Primary Liquidity Reserves

	Billions of Yen	Millions of U.S. dollars
March 31, 2006	Liquidity reserves	Liquidity reserves
1. Cash, cash equivalents and time deposits	¥ 502.2	\$ 4,275
2. Commitment line agreements	510.0	4,342
3. Commitment long-term loan agreement	6.0	51
Total primary liquidity reserves	¥ 1,018.2	\$ 8,668

Secondary Liquidity Reserves

	Billions of Yen	Millions of U.S. dollars
March 31, 2006	Liquidity reserves	Liquidity reserves
4. Available portion of over draft for the Company's cash management service	¥ 104.1	\$ 886
5. Available-for-sale securities (Fair value on a consolidated basis)	267.5	2,277
6. Notes receivable	149.4	1,272
Total secondary liquidity reserves	¥ 521.0	\$ 4,435
Total liquidity reserves	¥ 1,539.2	\$ 13,103

Capital Resources

As part of ITOCHU's medium-term management plan Frontier-2006, the Company's basic policy is to pursue the selection, focusing, and reallocating and upgrading of assets in order to expand the scale of profits and create new business.

With respect to promoting this plan, the source for new expenditures for investment activities is financing from operating cash flows. This includes the sale and recovery of assets in the course of reallocation of assets, as well as from the accumulation of profits. In case of any shortfall in financial resources when new investments are made a priority is to be covered through borrowed money and the issuance of bonds. In regard to interest-bearing debt, however, the Company will continue its efforts to maintain strict controls over them.

Cash and cash equivalents as of March 31, 2006 were increased by 5.5% or ¥24.8 billion from the previous fiscal year to ¥477.7 billion (US\$4,067 million). This was due to an increase in temporary cash holdings as a resource for repayment of interest-bearing debt toward the end of their maturities. Instead, the Company repaid interest-bearing debt to improve its financial position utilizing increased cash flows from operating activities resulting from strong

net income.

Cash flow requirements for investment activities, such as the acquisition of tangible fixed assets and new and additional investments were covered by cash flows from operating activities through an accumulation of profit.

Cash flows from operating activities for Fiscal 2006 recorded a net cash-inflow of ¥185.1 billion (US\$1,576 million) due to an increase in net income resulting from the good business performance. This includes increases of gross trading profit in all operating segments including Energy, Metals & Minerals as well as Chemicals, Forest Products & General Merchandise.

Cash flows from investing activities for Fiscal 2006 recorded a net cash-outflow of ¥79.9 billion (US\$680 million). This was mainly due to the investment in Orient Corporation and the acquisition of tangible fixed assets. However, net cash provided by operating activities covered this amount.

Cash flows from financing activities for Fiscal 2006 recorded a net cash-outflow of ¥85.2 billion (US\$725 million). This was mainly due to continued efforts of reducing interest-bearing liabilities to improve the Company's financial position.