

# Highlights of Consolidated Financial Results for the Third Quarter of FY 2006 (U.S. GAAP)

January 31, 2006

ITOCHU Corporation

## Financial topics for the nine months ended December 31, 2005

- Net income increased by 42.8 billion yen to 113.2 billion yen, to 1.6 times of the same period of the previous fiscal year. "Highest results" in the past in six profit items (Gross trading profit, Equity in earnings of associated companies, Net income, Adjusted profit, Net income of Parent company and Net income of Group companies) Net income achieved profit of over 100.0 billion yen that exceeded whole year profit of FY2005, the highest result in the past.
- Net income of Group companies increased by 37.2 billion yen to 89.7 billion yen, to 1.7 times. Total of Group companies reporting profits achieved 100.0 billion yen.
- Adjusted profit increased by 44.4 billion yen to 183.3 billion yen and close to 188.8 billion yen of whole year profit of FY2005, the highest result in the past.
- Stockholders' equity increased by 169.7 billion yen to 680.1 billion yen and exceeded the highest result in the past. Net DER improved to 2.8 times with steady and rapid strengthening of financial position.

## Consolidated Results of Operations

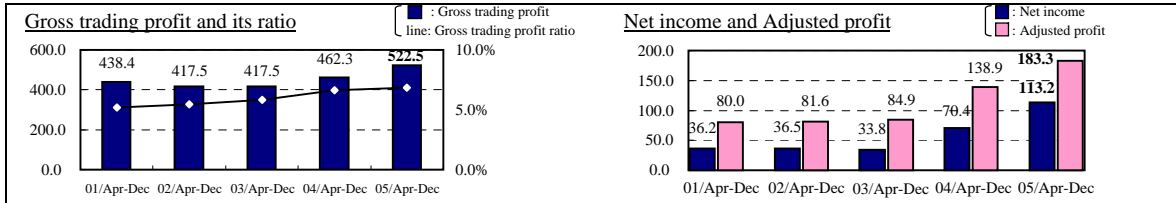
	Apr.-Dec. 2005	Apr.-Dec. 2004	Increase (Decrease)	
				%
Revenue	1,601.3	1,375.1	226.2	16.4
Gross trading profit	522.5	462.3	60.2	13.0
Selling, general and administrative expenses	(374.6)	(342.2)	(32.4)	9.5
Provision for doubtful receivables	(13.2)	(3.7)	(9.5)	257.9
Interest income	9.6	8.3	1.4	16.8
Interest expense (i)	(29.2)	(24.7)	(4.4)	18.0
Dividends received (ii)	13.3	10.2	3.1	30.6
Gain on disposal of investments and marketable securities, including write-down	38.4	0.3	38.0	-
Gain (loss) on property and equipment-net	(0.5)	0.4	(0.9)	-
Other-net	(16.0)	(0.8)	(15.2)	-
Total other expenses	(372.2)	(352.3)	(19.9)	5.7
Income before income taxes, minority interests and equity in earnings of associated companies	150.3	110.0	40.3	36.6
Income taxes	(70.8)	(56.8)	(13.9)	24.5
Income before minority interest and equity in earnings of associated companies	79.5	53.2	26.3	49.6
Minority interests	(7.9)	(7.9)	(0.0)	0.6
Equity in earnings of associated companies	41.7	25.1	16.5	65.7
Net income	113.2	70.4	42.8	60.8

(Unit: billion yen)

	Apr.-Dec. 2005	Apr.-Dec. 2004	Increase (Decrease)	
				%
Total trading transactions	7,652.7	6,968.2	684.6	9.8
Gross trading profit ratio	6.8%	6.6%	0.2%	

	Apr.-Dec. 2005	Apr.-Dec. 2004	Increase (Decrease)	
				%
Adjusted profit	183.3	138.9	44.4	32.0

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



## Dividend Distribution (Per Share)

Annual (Intended)	8.00 yen
(Interim)	(4.00 yen)

## Operating Segment Information

(Unit: billion yen)

	Gross trading profit(*)			Net income		
	Apr.-Dec. 2005	Apr.-Dec. 2004	Increase (Decrease)	Apr.-Dec. 2005	Apr.-Dec. 2004	Increase (Decrease)
Textile	89.0	82.8	6.2	10.6	11.2	(0.5)
Machinery	50.2	42.1	8.1	9.5	7.8	1.6
Aerospace, Electronics & Multimedia	78.7	76.3	2.4	9.9	10.5	(0.6)
Energy, Metals & Minerals	55.6	29.0	26.6	46.8	18.4	28.5
Chemicals, Forest Products & General Merchandise	82.3	78.8	3.5	14.8	20.0	(5.3)
Food	109.7	104.2	5.5	16.3	13.0	3.2
Finance, Realty, Insurance & Logistics Services	31.8	25.1	6.7	8.2	1.3	6.9
Other, Adjustments & Eliminations	25.1	24.0	1.1	(2.8)	(11.8)	9.0
<b>Total</b>	<b>522.5</b>	<b>462.3</b>	<b>60.2</b>	<b>113.2</b>	<b>70.4</b>	<b>42.8</b>

## [Net income] Summary of changes from the same period of the previous fiscal year

(\*) Summary of changes from the same period of the previous fiscal year in "Consolidated Results of Operations"

- (a) Decrease due to low performance of overseas subsidiaries
- (b) Increase in gains on disposal of investment securities and equity in earnings of shipping-related associated companies, in spite of additional provision for Iraq receivables
- (c) Decrease due to increase in SG&A for new multimedia-related business
- (d) Increase in gross trading profit, and good performance of a steel products-related associated company
- (e) Decrease due to additional provision for Iraq receivables, increase in SG&A, and decrease in equity in earnings of associated companies
- (f) Increase in profit on investment securities, and equity in earnings of associated companies, though increase in SG&A and provision for doubtful receivables
- (g) Increase in gross trading profit, contribution of a new finance-related associated company, and gains on disposal of investment securities
- (h) Increase due to gains on disposal of investment securities, and a reduction of income taxes despite decrease due to a legal settlement of an overseas trading subsidiary in the U.S.

## Components of Consolidated Net income

(Unit: billion yen)

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

## Share of Group Companies Reporting Profits

	December 31 2005	December 31 2004	Increase (Decrease)
Share of group co. reporting profits	79.8%	76.4%	3.4%
Number of group co. reporting profits	542	508	34
Number of group co. reporting losses	137	157	(20)
Total	679	665	14

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

(Unit: billion yen)

	Apr.-Dec. 2005	Apr.-Dec. 2004	Increase (Decrease)
Group co. reporting profits	108.1	78.2	29.8
Group co. reporting losses	(10.9)	(13.7)	2.8
Total	97.2	64.6	32.6

(Group companies)

	Apr.-Dec. 2005	Apr.-Dec. 2004	Increase (Decrease)
Group co. reporting profits	100.1	66.0	34.1
Group co. reporting losses	(10.4)	(13.5)	3.1
Total of Group companies	89.7	52.5	37.2

(Overseas trading subsidiaries)

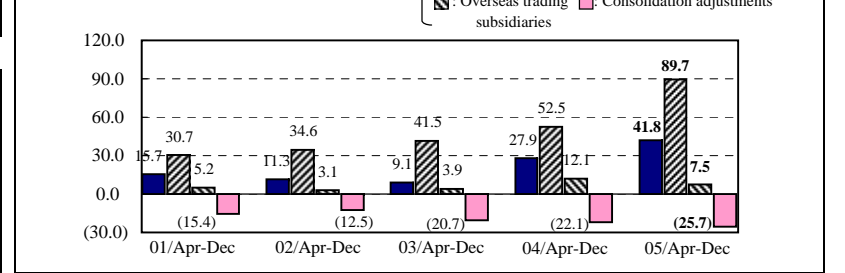
	Apr.-Dec. 2005	Apr.-Dec. 2004	Increase (Decrease)
Group co. reporting profits	7.9	12.2	(4.3)
Group co. reporting losses	(0.5)	(0.2)	(0.3)
Total of Overseas trading subsidiaries	7.5	12.1	(4.6)

## Financial Position

(Unit: billion yen)

	December 31 2005	March 31 2005	Increase (Decrease)
Total assets	4,977.5	4,472.3	505.1
Interest-bearing debts	2,372.1	2,346.7	25.3
Net interest-bearing debts	1,934.4	1,891.1	43.3
Stockholders' equity	680.1	510.4	169.7
Net debt-to-equity ratio (times)	2.8	3.7	Improved (0.9)

## Components of Consolidated Net income



## Group Companies

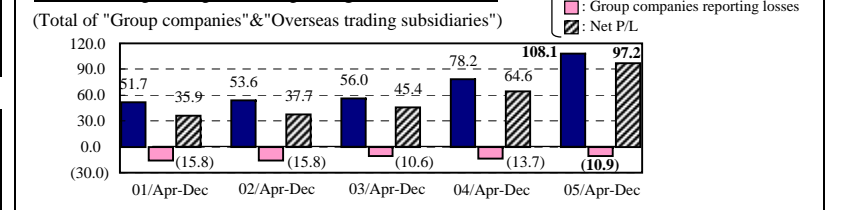
(Major Group Companies Reporting Profits)

	Apr.-Dec. 2005	Apr.-Dec. 2004	Summary of changes from the same period of the previous fiscal year
ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA)	22.4	8.6	Increase in coal and iron ore due to strong market
Marubeni-Itochu Steel Inc.	13.2	8.2	Good automotive steel & tubular products
Prime Source Building Products, Inc.	4.8	5.5	Purchase cost up, despite good housing market in the U.S.
FamilyMart Co., Ltd.	4.4	3.9	Ready-to-eat food products sales & store increase
ITOCHU Oil Exploration (Azerbaijan) Inc.	3.0	1.3	Dealing volume up due to a full-scale production start & strong oil market

(Major Group Companies Reporting Losses)

	Apr.-Dec. 2005	Apr.-Dec. 2004	Summary of changes from the same period of the previous fiscal year
On Demand TV, Inc.	(0.9)	0.0	Preceding expenses arising from a full-scale business entry
ITOCHU AirLease B.V.	(0.5)	(0.7)	05/Apr-Dec: Bad debt 04/Apr-Dec: Impairment of an airplane

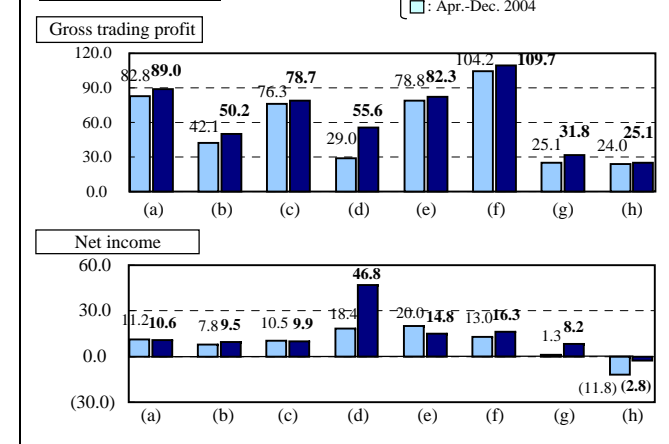
## P/L of Group Companies Reporting Profits / Losses



## Summary of changes from the previous fiscal year end

	Forecast for FY2006 (New)	The previous forecast for FY2006(Oct.28)
Total assets	4,800.0	4,700.0
Interest-bearing debts	2,400.0	2,400.0
Net interest-bearing debts	Under 2,000.0	Under 2,000.0
Stockholders' equity	690.0	640.0
Net DER	Approximate 2.8	3.1

## Operating Segments



## Major Indices

	Apr.-Dec. 2005	Apr.-Dec. 2004	Changes
Foreign exchange [Mar. closing]	Yen/US\$, average (Apr.-Dec.) 110.64	109.18	1.46
	Yen/US\$, at the end of the period [05/12] 118.07	[05/3] 107.39	10.68
Foreign exchange [Dec. closing]	Yen/US\$, average (Jan.-Sep.) 107.05	108.82	(1.77)
	Yen/US\$, at the end of the period [05/9] 113.19	[04/12] 104.21	8.98
Interest, short-term prime, average (Apr.-Dec.)	1.375%	1.375%	-
Interest, long-term prime, average (Apr.-Dec.)	1.619%	1.727%	(0.108%)
Interest, LIBOR US\$ 3M, average (Jan.-Sep.)	3.310%	1.398%	1.912%
Crude oil (Brent), average (Apr.-Dec.)	57.48	40.24	17.24
(US\$/BBL)	(Jan.-Sep.) 54.17	35.74	18.43