

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

April 28, 2006  
ITOCHU Corporation

## Financial topics for FY 2006

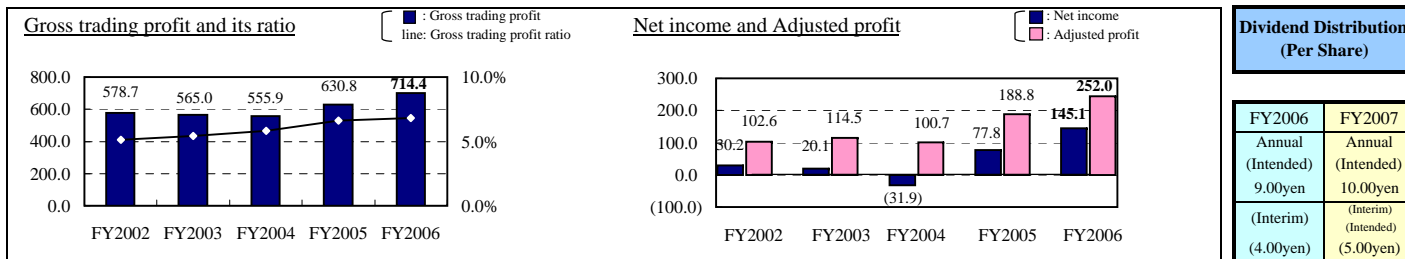
- Achieved Net income 145.1bill. yen; 67.4bill. yen increase (1.9times) from FY2005; far exceeded 100.0bill. yen. Record-high renewed from 77.8bill. yen, FY2005.
- Record-high for several P/L items (Gross trading profit, Income before tax, Equity in earnings of associated companies) and Adjusted profit.
- Marked record-high for Net income of Parent & Group co. For Group Companies, profit growth in companies reporting profits and deficit decr. in companies reporting losses reached a record 113.2bill. yen income with a huge incr. by 65.3bill.yen (2.4times) from FY2005; well-balanced contribution of both Parent & Group (home/overseas) companies.
- Stockholders' equity far increased more than 100.0bill. yen to 726.8bill. yen. Total assets is 4,797.0bill. yen; almost the same as expected. Additional new & exit invest. amounts to net approximately 120.0bill. yen; surpassed initial target of 100.0bill. yen. Financial strength improved with NET DER 2.4times and Stockholders' equity 15.2%.

Consolidated Results of Operations	FY2006	FY2005	Increase (Decrease)		Summary of changes from the previous fiscal year	Forecast for FY2007	
				%			Increase (Decrease)
Revenue	2,218.2	1,991.2	227.0	11.4		760.0	45.6
Gross trading profit	714.4	630.8	83.6	13.3	<b>Revenue:</b> Increase in Automobile, Domestic IT, Resource related trans.		
Selling, general and administrative expenses	(506.3)	(466.8)	(39.4)	8.4	<b>Gr. trading profit: (Increase fields/bus.)</b> <Textile>-Contribution of a newly joined men's apparel subsidiary <Machinery> Automobile(ERP/U.S.), Construct. Mach.(U.S.) <Aero, Electro. & Multi.> Domestic IT <Ener.Met.> Higher prices of coal, iron ore and crude oil <Chem, FP&GM>Housing matr.(NA), Chem. subsidiaries(Jp), new companies joined <Food> Food distribution, New companies joined <Fin. Realty, Insur. & LS> Construct., finance, new companies joined		
Provision for doubtful receivables	(14.7)	(6.2)	(8.5)	138.3	<b>SG&amp;A:</b> Expense increase from business expansion		
Interest income	13.4	10.8	2.6	24.5	<b>Provision for doubtful receivables:</b> Loss on Iraq receivables -7.7		
Interest expense (i)	(39.4)	(31.8)	(7.6)	24.0	<b>Net financial expenses: (i+ii)[Incr/(Decr)]</b> Raised interest rate in U.S. dollar (i), LNG related +3.0 (ii)		
Dividends received (ii)	18.2	14.2	4.1	28.6	<b>Gain on disposal inv.&amp; sec.:[Incr/(Decr)]</b> Stock sales +30.5 (FY06:7-Eleven(U.S.), U.S. healthcare-related), Stock devaluation losses +42.2(FY05:impairment loss on goodwill of FM -45.1), Loss from business liquidation and others +4.2		
Gain on disposal of investments and marketable securities, incl. write-down	51.6	(25.4)	77.0	-	<b>Loss on property and equip.:[Incr/(Decr)]</b> Assets sales +3.7, Impairment losses and others -5.7		
Loss on property and equipment-net (iii)	(7.9)	(6.0)	(2.0)	-	<b>Other-net:</b> Legal settlement -19.5 (U.S. subsidiary) Non-operating derivative gain for div. received +2.0		
Other-net	(12.4)	0.4	(12.8)	-	<b>Equity in earnings of ass.co.s:</b> Good steel products-related, New finance-related		
Total other expenses	(497.5)	(510.8)	13.3	-	<b>Cumulative effect of an accounting change:</b> Accounting change of stripping costs in mining industry		
Income from operations before income taxes	216.9	120.0	96.9	80.8			
Income taxes	(106.9)	(62.5)	(44.4)	71.0			
Income from operations	109.9	57.4	52.5	91.5			
Minority interests	(13.1)	(11.4)	(1.7)	15.0			
Equity in earnings of associated companies	51.7	31.8	20.0	62.9			
Income before cumulative effect of an accounting change	148.6	77.8	70.8	91.0			
Cumulative effect of an accounting change	(3.4)	-	(3.4)	-			
Net income	145.1	77.8	67.4	86.6			

(Accordance with Japanese accounting practice)

	FY2006	FY2005	Increase (Decrease)	%		FY2006	FY2007
Total trading transactions	10,473.9	9,576.0	897.8	9.4		10,800.0	326.1
Gross trading profit ratio	6.8%	6.6%	0.2%			7.0%	0.2%
Adjusted profit	252.0	188.8	63.2	33.5		273.0	21.0

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

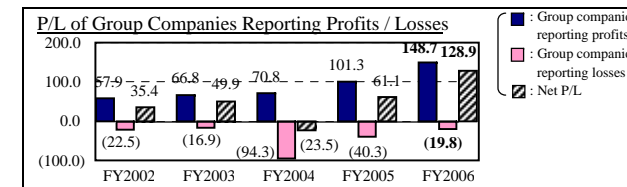


Operating Segment Information	Gross trading profit(*)			Net income			[Net income] Summary of changes from the previous fiscal year (* Summary of changes from the previous fiscal year in "Consolidated Results of Operations")
	FY2006	FY2005	Increase (Decrease)	FY2006	FY2005	Increase (Decrease)	
Textile	122.9	112.8	10.0	15.0	14.8	0.2	Increase due to gains on disposal of investment securities though equity in earnings of associated companies worsened
Machinery	69.5	58.0	11.6	13.7	10.5	3.2	Increase in gains on disposal of investment securities and equity in earnings of associated companies
Aerospace, Electronics & Multimedia	116.4	108.4	8.0	17.2	14.4	2.8	Increase in gross trading profit and gains on disposal of invest. securities from listing of a media related associated co.
Energy, Metals & Minerals	73.9	39.1	34.8	58.0	25.7	32.3	Increase in gross trading profit and good performance of a steel product-related associated company
Chemicals, Forest Products & General Merchandise	111.1	105.9	5.2	18.6	20.3	(1.6)	Decrease due to increase in SG&A in downstream despite improved equity in earnings of associated companies
Food	142.6	136.2	6.4	19.4	(9.3)	28.7	Improvement due to impairment loss on goodwill of FM (Y26.6 bill.) in FY2005 despite incr. in SG&A and decr. in equity in earnings of assoc. co.
Finance, Realty, Insurance & Logistics Services	46.0	39.3	6.6	9.9	5.4	4.5	Incr. of gross trading profit in Construct. and Finance; contribution of a new finance-related assoc. co.; gains on disposal of invest. securities
Other, Adjustments & Eliminations	32.0	31.0	1.0	(6.6)	(3.9)	(2.7)	Decr. due to legal settlement of a U.S. subsidiary despite incr in trading profit and gains on disposal of investment securities
<b>Total</b>	<b>714.4</b>	<b>630.8</b>	<b>83.6</b>	<b>145.1</b>	<b>77.8</b>	<b>67.4</b>	

Components of Consolidated Net income	FY2006	FY2005	Increase (Decrease)
Parent company	54.4	33.0	21.4
Group companies	113.2	47.9	65.3
Overseas trading subsidiaries	15.7	13.2	2.6
Subtotal	183.3	94.1	89.2
Consolidation adjustments	(38.1)	(16.3)	(21.8)
Consolidated net income	145.1	77.8	67.4

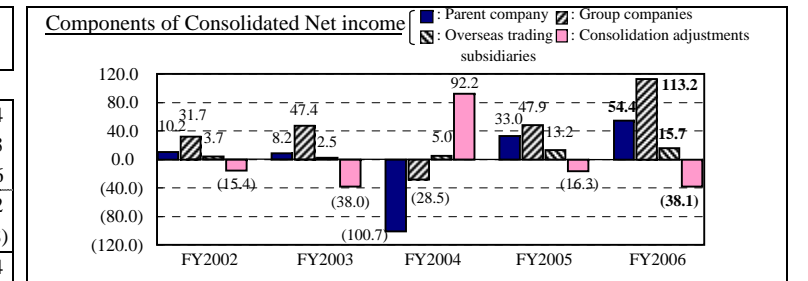
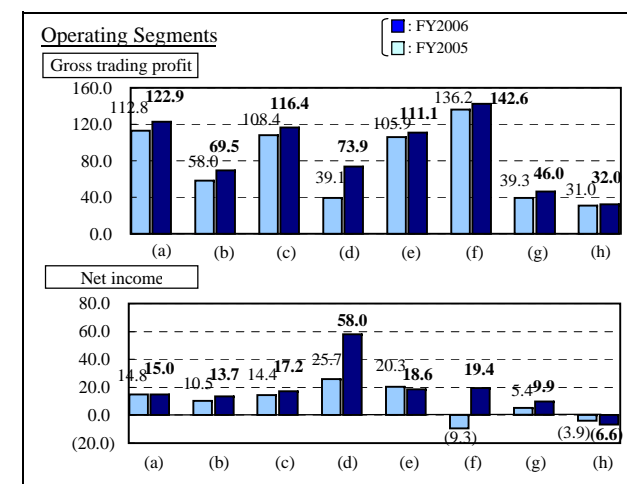
Share of Group Companies Reporting Profits	March 31 2006	March 31 2005	Increase (Decrease)
Share of group co. reporting profits	81.4%	83.1%	(1.7%)
Number of group co. reporting profits	530	545	(15)
Number of group co.	651	656	(5)

P/L of Group Companies Reporting Profits / Losses	FY2006	FY2005	Increase (Decrease)
Group co. reporting profits	148.7	101.3	47.3
[Group companies]	[132.6]	[86.7]	[45.9]
Group co. reporting losses	(19.8)	(40.3)	20.5
[Group companies]	[(19.4)]	[(38.8)]	[19.3]
Total	128.9	61.1	67.8



Financial Conditions	March 31 2006	March 31 2005	Increase (Decrease)
Total assets	4,797.0	4,472.3	324.7
Interest-bearing debts	2,226.5	2,346.7	(120.2)
Net interest-bearing debts	1,724.3	1,891.1	(166.8)
Stockholders' equity	726.8	510.4	216.4
Net debt-to-equity ratio (times)	2.4	3.7	Improve 1.3

Cash Flow	FY2006	FY2005	Increase (Decrease)
CF from operating activities	185.1	126.6	58.5
CF from investing activities	(79.9)	(127.6)	47.7
CF from financing activities	(85.2)	(125.3)	40.1
Cash and cash equivalents	477.7	452.9	24.8



Group Companies	FY2006	FY2005	Summary of changes from the previous fiscal year
ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA)	25.9	13.9	Higher price in coal and iron ore
Marubeni-Itochu Steel Inc.	15.9	9.7	Good automotive steel/tubular products
ITOCHU International Inc.	7.9	8.6	Decr. due to payment for legal settlement despite steady growth in group co. and gain on sales of securities
Prime Source Building Products, Inc.	7.7	7.5	Diversified product line and cost-cutting
ITOCHU TECHNO-SCIENCE Corporation	5.5	5.1	System trans. for IT & financial industries
ITOCHU Oil Exploration (Azerbaijan) Inc.	5.2	2.0	Incr. in sales due to full-scale production and good market of crude oil
FamilyMart Co., Ltd. (FM)	4.3	4.0	Ready-to-eat food/incr. in number of stores
ITOCHU Finance Corporation	3.2	2.7	finance-related bus.
ITOCHU PLASTICS INC.	2.6	1.8	Plastic, wrapping/industrial matrls
ITOCHU Petroleum Japan Ltd.	2.5	0.4	FY2005: Provision for large a customer FY2006: Good tanker market & crude oil trade
ITOCHU BUILDING CORPORATION	(2.7)	0.2	Impairment loss from changed rental terms
Stapleton's (Tyre Services) Ltd.	(2.4)	(0.5)	Sales depreciation; restructuring loss
On Demand TV, Inc.	(1.2)	(0.1)	Incr. precedent exp. to get viewers

Summary of changes from the previous fiscal year end	Forecast for March 31 2007
Total assets: Incr. in receivbls by trans. incr. along with rising prices of marketable commodities such as met., ener. and chem., investment in Orient Corp., and incr. in equity in earnings of assoc. co. and in investments of available-for-sale securities resulting from rising in stock prices	5,200.0
Stockholders' equity: Upturn of unrealized holding gains by higher stock price & net income/improved foreign cur. trans. adjust. through yen's depreciation at year end	2,350.0
Stockholders' equity ratio: Improved by 3.7 pt. from FY2005 end to 15.2 %	1,950.0
NET DER: Improved by 1.3 pt. from FY2005 end to 2.4 times	850.0
	2.3

Condition of Cash Flow FY 2006
<b>CF from operating activs:</b> Net inflow due to good results in operating revenue from overseas resource-related bus.
<b>CF from investing activs:</b> Net outflow due to investment in Orient Corporation, etc
<b>CF from financing activs:</b> Net outflow due to on-going efforts to reduce interest-bearing debts
<b>Cash and cash equivalents:</b> Increased by 24.8bill. yen from March 31, 2005

Major Indices	FY2006	FY2005	Changes
Foreign exchange [Mar. closing]	112.28	107.94	4.34
Foreign exchange [Dec. closing]	117.47	107.39	10.08
Interest, short-term prime, average (Apr.-Mar.)	1.375%	1.375%	-
Interest, long-term prime, average (Apr.-Mar.)	1.699%	1.690%	0.009%
Interest, LIBOR US\$ 3M, average (Jan.-Dec.)	3.567%	1.624%	1.943%
Crude oil (Brent), average (Apr.-Mar.)	58.78	42.15	16.63
(US\$/BBL) (Jan.-Dec.)	55.07	38.00	17.07