

# Highlights of Consolidated Financial Results for the First Half of FY 2006 ending March 31, 2006 (U.S. GAAP)

## Financial topics for the six months ended September 30, 2005

- "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 co. & Group co.)
- Achieved 30.0 billion yen (Parent), 65.3 billion yen (Consolidated) in net income, both 1.5 times of the same period of the previous fiscal year.
- Achieved 56.2 billion yen (Group co.), 1.6 times of the same period of the previous fiscal year. Steady profit structure with well-balanced earnings from overseas/domestic by solid business base.
- Stockholders' equity increased by 100.4 billion yen to 610.8 billion yen. Net DER improved by 0.5 points to 3.2 times, showing steady strength of financial structure.

## Consolidated Results of Operations

	1st Half FY 2006		1st Half FY 2005		Increase (Decrease)	
	Value	%	Value	%	Value	%
Revenue	1,038.8		906.9		131.9	14.5
Gross trading profit	338.4		303.8		34.6	11.4
Selling, general and administrative expenses	(245.6)		(225.9)		(19.7)	8.7
Provision for doubtful receivables	(3.5)		(1.8)		(1.7)	92.2
Interest income	6.5		5.6		0.9	16.9
Interest expense	(18.8)		(16.9)		(2.0)	11.7
Dividends received	8.8		6.8		2.0	29.3
Gain (loss) on disposal of investments and marketable securities, including write-down	9.7		(3.2)		13.0	-
Gain (loss) on property and equipment-net	(0.7)		0.2		(0.9)	-
Other-net	(11.7)		1.1		(12.8)	-
Total other expenses	(255.2)		(234.1)		(21.1)	9.0
Income before income taxes, minority interests and equity in earnings of associated companies	83.1		69.6		13.5	19.4
Income taxes	(39.4)		(38.5)		(0.9)	2.3
Income before minority interests and equity in earnings of associated companies	43.7		31.1		12.6	40.6
Minority interests	(5.2)		(4.6)		(0.6)	12.5
Equity in earnings of associated companies	26.8		17.7		9.1	51.5
Net income	65.3		44.1		21.1	47.9

(Accordance with Japanese accounting practice)				
Total trading transactions	5,015.1	4,603.1	412.0	9.0
Gross trading profit ratio	6.7%	6.6%	0.1%	

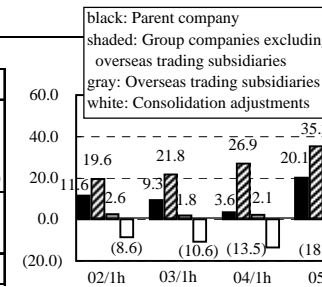
## Adjusted profit

Adjusted profit	116.1	91.1	25.0	27.4
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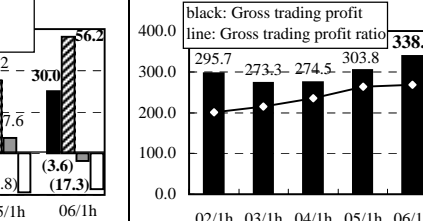
Adjusted profit = Gross trading profit + SG&A expenses + Net financial expenses + Equity in earnings of associated companies

## Components of Consolidated Net income

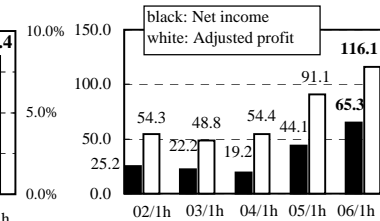
(Unit: billion yen)	06/1h	05/1h	Increase (Decrease)
Parent co.	30.0	20.1	10.0
Group co.	56.2	35.2	21.0
Overseas trading subsidiaries	(3.6)	7.6	(11.2)
Subtotal	82.6	62.9	19.7
Consolidation adjustments	(17.3)	(18.8)	1.4
Net income	65.3	44.1	21.1



## Gross trading profit and its ratio



## Net income and Adjusted profit



## Financial Position

	September 30 2005	March 31 2005	Increase (Decrease)
Total assets	4,801.4	4,472.3	329.0
Interest-bearing debts	2,394.9	2,346.7	48.2
Net interest-bearing debts	1,956.5	1,891.1	65.4
Stockholders' equity	610.8	510.4	100.4
Net debt-to-equity ratio (times)	3.2	3.7	improved (0.5)

## Summary of changes from the previous fiscal year end

Outlook for FY2006		
New	Apr. 28	
Total assets	4,700.0	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	640.0	600.0
Net debt-to-equity ratio (times)	3.1	3.3

**Total assets:** Due to increase in receivables along with rising prices of energy and chemical related materials and products, additional investment in Orient Corporation, acquisition of new energy resource related interests, and increase in investment reflecting the rise in stock prices.  
**Stockholders' equity:** Due to accumulated other comprehensive income in addition to an increase in net income realized for this first half, in spite of dividend payment.  
**Stockholders' equity ratio:** Improved by 1.3 point from March 31, 2005 to 12.7%.  
**Net DER:** Improved by 0.5 point from March 31, 2005, to 3.2 times due to increase in stockholders' equity in spite of increase in net interest-bearing debt.

## Cash Flows

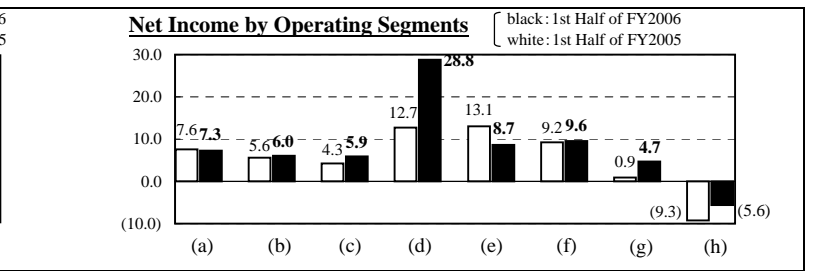
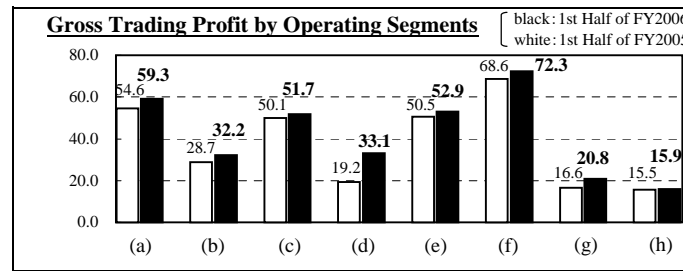
	1st Half FY 2006	1st Half FY 2006	Increase (Decrease)
Cash flows from operating activities	40.6	(16.5)	57.1
Cash flows from investing activities	(80.1)	(37.3)	(42.9)
Cash flows from financing activities	18.3	(153.6)	172.0
Cash and cash equivalents	434.6	373.1	

## Summary of changes from the same period of the previous fiscal year

<b>Cash flows from operating activities:</b> Net cash-inflow due to good results in operating revenue mainly from overseas resource developments.
<b>Cash flows from investing activities:</b> Net cash-outflow as a result of new investment in Orient Corporation and energy-related business.
<b>Cash flows from financing activities:</b> Net cash-inflows due to increase in short-term debt.
<b>Cash and cash equivalents:</b> Decreased by 18.3 from March 31, 2005.

## Operating Segment Information

Operating Segment Information	Gross trading profit(*)			Net income			Summary of changes from the same period of the previous fiscal year
	1st Half FY 2006	1st Half FY 2005	Increase (Decrease)	1st Half FY 2006	1st Half FY 2005	Increase (Decrease)	
Textile... (a)	59.3	54.6	4.7	7.3	7.6	(0.3)	Slight decrease due to low performance of overseas subsidiaries
Machinery... (b)	32.2	28.7	3.5	6.0	5.6	0.4	Increase due to gross trading profit increase in automobile and industrial machinery
Aerospace, Electronics & Multimedia... (c)	51.7	50.1	1.6	5.9	4.3	1.5	Increase due to gains on disposal of IT-related securities
Energy, Metals & Minerals... (d)	33.1	19.2	14.0	28.8	12.7	16.1	Increase in gross trading profit, and good performance of a steel product-related associated company
Chemicals, Forest Products & General Merchandise... (e)	52.9	50.5	2.4	8.7	13.1	(4.4)	Decrease due to increase in SG&A, deteriorated net interest expenses, and decrease in equity in earnings of associated companies
Food... (f)	72.3	68.6	3.7	9.6	9.2	0.4	Increase in gross trading profit and equity in earnings of associated companies
Finance, Realty, Insurance & Logistics Services... (g)	20.8	16.6	4.3	4.7	0.9	3.8	Increase in gross trading profit and contribution of a new finance-related associated company
Other, Adjustments & Eliminations... (h)	15.9	15.5	0.4	(5.6)	(9.3)	3.7	Increase due to gains on disposal of securities and a reduction of income taxes despite decrease due to a legal settlement of a U.S. trading subsidiary
<b>Total</b>	<b>338.4</b>	<b>303.8</b>	<b>34.6</b>	<b>65.3</b>	<b>44.1</b>	<b>21.1</b>	



## Share of Group Companies Reporting Profits

	September 2005	September 2004	Increase (Decrease)
Share of group co. reporting profits	79.1%	75.3%	3.8%
Number of group co. reporting profits	534	498	36
Number of group co. reporting losses	141	163	(22)
Total	675	661	14

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

	1st Half FY 2006	1st Half FY 2006	Increase (Decrease)
Group co. reporting profits	67.7	52.4	15.3
Group co. reporting losses	(15.2)	(9.6)	(5.5)
Total	52.6	42.8	9.8

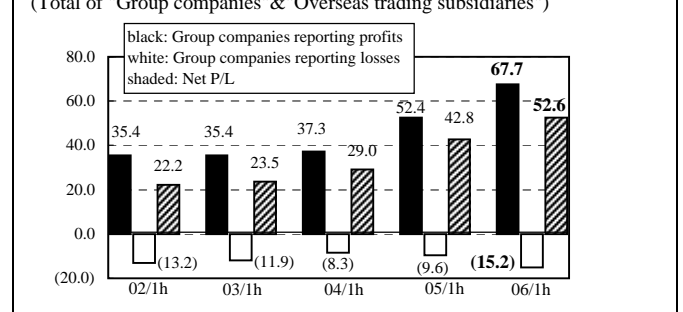
(Group companies)

Group co. reporting profits	63.7	44.6	19.1
Group co. reporting losses	(7.5)	(9.4)	1.9
Total of Group companies	56.2	35.2	21.0

(Overseas trading subsidiaries)

Group co. reporting profits	4.0	7.8	(3.8)
Group co. reporting losses	(7.7)	(0.2)	(7.4)
Total of Overseas trading subsidiaries	(3.6)	7.6	(11.2)

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



## Group Companies

Group Companies	1st Half FY 2006	1st Half FY 2005	Summary of changes from the same period of the previous fiscal year
(Major Group Companies Reporting Profits) (Unit: billion yen)			
ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA)	14.9	5.3	Higher price in coal and iron ore
Marubeni-Itochu Steel Inc.	9.5	5.0	Good automotive steel & tubular products
Prime Source Building Products, Inc.	2.9	3.1	Purchase cost up, despite good housing market in U.S.
FamilyMart Co., Ltd.	2.9	2.7	Ready-to-eat food products sales & store increase
ITOCHU TECHNO-SCIENCE Corporation	1.9	1.6	Unprofitable business cut, supporting business contribution.
ITOCHU Finance Corporation	1.5	0.9	Good finance-related business
ITOCHU Oil Exploration (Azerbaijan) Inc.	1.2	1.1	Steady growth through strong oil market
ITOCHU PLASTICS INC.	1.1	0.8	Good wrapping materials & plastics
Mazda Canada Inc.	1.1	0.7	Good Mazda's cars in Canada
ITOCHU Hong Kong Ltd.	1.0	0.8	Good consumer credit / insurance
ITOCHU Petroleum Japan Ltd.	1.0	0.6	Good tanker market / crude oil
(Major Group Companies Reporting Losses) (Unit: billion yen)			
ITOCHU International Inc.	(7.2)	4.4	Due to legal settlement
On Demand TV, Inc.	(0.5)	0.0	Preceding expenses arising from a full-scale business entry

## Major Indices

	1st Half FY 2006	1st Half FY 2005	Changes
Foreign exchange: Yen/US\$, average (Apr.-Sep.)	108.48	109.80	(1.32)
[Mar. closing] Yen/US\$, at the end of the period	05/9 113.19	05/3 107.39	5.80
Foreign exchange: Yen/US\$, average (Jan.-Jun.)	105.42	108.43	(3.01)
[Dec. closing] Yen/US\$, at the end of the period	05/6 110.62	04/12 104.21	6.41
Interest, short-term prime, average (Apr.-Sep.)	1.375%	1.375%	-
Interest, long-term prime, average (Apr.-Sep.)	1.520%	1.757%	(0.237%)
Interest, LIBOR US\$ 3M, average (Jan.-Jun.)	3.067%	1.213%	1.854%
Crude oil (Brent), average (Apr.-Sep.)	57.32	38.00	19.32
(US\$/BBL) (Jan.-Jun.)	50.34	33.24	17.10