

July 28, 2006

Consolidated Financial Results for the First Quarter of Fiscal 2007

For the three months ended June 30, 2006 and 2005

ITOCHU Corporation

ITOCHU Corporation

Code Number 8001
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This document is an English translation of a statement written initially in Japanese.
 The Japanese original should be considered the primary version.

Consolidated Financial Results for the First Quarter of Fiscal Year 2007 ending March 31, 2007 [U.S. GAAP]**1. Basic Information on Quarterly Financial Statements**

- The adoption of compendium method in accounting procedure : None
- Changes of accounting policy from the previous fiscal year : None
- Changes of scope of group companies from the previous fiscal year : Yes
 Changes in the number of consolidated subsidiaries and associated companies
 Consolidated subsidiaries : [Increase] 15, [Decrease] 18 Associated companies : [Increase] 15, [Decrease] 3
 The number of consolidated subsidiaries and associated companies
 Consolidated subsidiaries : 439 Associated companies : 221
 [Reference] March 31, 2006 Consolidated subsidiaries : 442 Associated companies : 209

2. Consolidated operating results for the First Quarter of Fiscal Year 2007**(1) Consolidated Operating Results (Summary)**

	Total trading transactions		Trading income		Income before income taxes		Net income	
	millions of yen increase/decrease(%)		millions of yen increase/decrease(%)		millions of yen increase/decrease(%)		millions of yen increase/decrease(%)	
First Quarter of Fiscal Year 2007	2,577,522	6.2	53,586	45.9	64,603	57.0	48,141	62.1
First Quarter of Fiscal Year 2006	2,428,053	14.2	36,739	25.6	41,146	32.1	29,695	36.8
[Reference] Fiscal year 2006	10,473,885	9.4	193,389	22.6	216,869	80.8	145,146	86.6

	Net income per share (basic)		Net income per share (diluted)	
	yen		yen	
First Quarter of Fiscal Year 2007	30.44		30.21	
First Quarter of Fiscal Year 2006	(Note 5) 18.77		-	
[Reference] Fiscal year 2006	91.74		-	

Note: 1. Figures for the first quarter of fiscal year 2007 and 2006 have not been audited by independent auditors.

- The above "Income before income taxes" represents "Income before income taxes, minority interests, equity in earnings of associated companies and cumulative effect of an accounting change" in Consolidated Statements of Operations.
- "increase/decrease (%)" presents changes from the same period of the previous fiscal year.
- "Total trading transactions" and "Trading income" are presented in accordance with Japanese accounting practice.
 • "Total trading transactions" in the consolidated statements of operations consists of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.
 • "Trading income" = "Gross trading profit" + "Selling, general and administrative expenses" + "Provision for doubtful receivables"
- ITOCHU Corporation and its subsidiaries early adopted Emerging Issues Task Force (EITF) No.04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry" in fiscal year 2006. In accordance with U.S. GAAP, the cumulative effect (loss of 3,439 million yen, net of tax) of the accounting change is retroactively reflected on the former announced Net income (33,134 million yen) in the first quarter of fiscal year 2006.

[Summary of Consolidated Operating Results]

Total trading transactions for the three months ended June 30, 2006 increased by 6.2% or 149.5 billion yen to 2,577.5 billion yen (22,367 million U.S. dollars) compared with the same period of the previous fiscal year. Total trading transactions increased mainly in Energy, Metals & Minerals due to higher prices of crude oil and an increase in transaction volume; and in Chemicals, Forest Products & General Merchandise due to higher market prices of chemicals and steady growth in building market in North America.

Gross trading profit increased by 14.6% or 23.0 billion yen to 180.7 billion yen (1,568 million U.S. dollars) compared with the same period of the previous fiscal year. Gross trading profit increased in every trading segment including Machinery due to good performance in plant, ships, automobile transactions in Europe and the U.S. and construction machinery business in North America; Aerospace, Electronics & Multimedia through steady growth in domestic IT industry-related business; Energy, Metals & Minerals due to higher price of crude oil and an increase in transaction volume by a start of full-scale operation of crude oil production; and in Chemicals, Forest Products & General Merchandise due to steady growth in building material-related transactions in North America and domestic chemical subsidiary in addition to a recovery of domestic housing material market.

Selling, general and administrative expenses increased by 5.7% or 6.9 billion yen to 127.4 billion yen (1,105 million U.S. dollars) compared with the same period of the previous fiscal year, mainly due to expansion of business.

Net financial expenses improved by 23.3% or 0.2 billion yen to 0.6 billion yen (5 million U.S. dollars) compared with the same period of the previous fiscal year, due to an increase in dividends from LNG-related investments despite an increase in net interest expenses resulting from rise in the interest rate.

Concerning the other profits and losses, in a period-to-period comparison, **Gain on disposal of investments and marketable securities, net of write-down** increased by 6.4 billion yen to 10.6 billion yen (92 million U.S. dollars), **Gain (loss) on property and equipment-net** deteriorated by 1.1 billion yen to 0.4 billion yen (3 million U.S. dollars), and **Other-net** increased by 1.1 billion yen to 1.4 billion yen (12 million U.S. dollars).

As a result, **Income before income taxes, minority interests, equity in earnings of associated companies and cumulative effect of an accounting change** (Income before income taxes) increased 57.0% or 23.5 billion yen to 64.6 billion yen (561 million U.S. dollars) compared with the same period of the previous fiscal year.

Equity in earnings of associated companies increased by 4.8% or 0.6 billion yen to 13.1 billion yen (114 million U.S. dollars) compared with the same period of the previous fiscal year due to good performance in associated companies of international petroleum products trading.

Net income increased 62.1% or 18.4 billion yen to 48.1 billion yen (418 million U.S. dollars) compared with the same period of the previous fiscal year, after cumulative effect adjustment (loss of 3.4 billion yen) with early adoption of new accounting standards "Accounting for Stripping Costs Incurred during Production in the Mining Industry" in the previous fiscal year.

(2) Consolidated Financial Position

	Total assets		Stockholders' equity		Ratio of stockholders' equity to total assets		Stockholders' equity per share	
	millions of yen		millions of yen		%		yen	
First Quarter-end of Fiscal Year 2007	4,999,522		752,942		15.1		476.03	
First Quarter-end of Fiscal Year 2006	(Note 2) 4,650,069		(Note 2) 540,923		(Note 2) 11.6		(Note 2) 341.85	
[Reference] March 31, 2006	4,797,013		726,816		15.2		459.47	

Note: 1. Stockholders' equity has been presented in conformity with United States generally accepted accounting principals.

- ITOCHU Corporation and its subsidiaries early adopted Emerging Issues Task Force (EITF) No.04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry" in fiscal year 2006. In accordance with U.S. GAAP, the cumulative effect (loss of 3,439 million yen, net of tax) of the accounting change is retroactively reflected on the former announced figures in the first quarter of fiscal year 2006.

[Summary of Consolidated Financial Position]

Total assets at the end of the first quarter of fiscal year 2007 increased by 4.2% or 202.5 billion yen to 4,999.5 billion yen (43,384 million U.S. dollars) compared with the March 31, 2006, with an increase in assets (approximately 220.0 billion yen) due to NIPPON ACCESS, INC. classified from an associated company to a subsidiary and an increase in trade receivables related to higher market price and expansion of transactions in Energy, Forest products & General Merchandise and chemicals despite a decrease in cash and cash equivalents.

Stockholders' equity increased by 3.6% or 26.1 billion yen to 752.9 billion yen (6,534 million U.S. dollars) compared with the March 31, 2006, due to an accumulation of Net income despite distribution of dividends and decrease in unrealized holding gains on securities through decline in stock prices.

As a result, **Ratio of stockholders' equity to total assets** maintained 15.1% as same level as March 31, 2006.

Net interest-bearing debt (interest-bearing debt after deducting cash, cash equivalents and time deposits) increased by 5.3% or 91.2 billion yen to 1,815.5 billion yen (15,754 million U.S. dollars) and **NET DER** (Debt-to-Equity Ratio) maintained 2.4 times as same level as March 31, 2006.

Note: The consolidated financial statements are expressed in yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of 115.24 yen = 1 U.S. dollars, exchange rate prevailing on June 30, 2006.

Performance of Group Companies

For the three months ended June 30, 2006 and 2005

Components of Consolidated Net Income

(Unit : billion yen)			Increase
	Apr-Jun 2006	Apr-Jun 2005	(Decrease)
Parent company	34.9	19.6	15.4
Group companies excluding overseas trading subsidiaries	32.9	(*) 22.4	10.5
Overseas trading subsidiaries	4.1	(*) 3.7	0.4
Subtotal	71.9	45.6	26.3
Consolidation adjustments	(23.8)	(15.9)	(7.9)
Consolidated net income	48.1	(*) 29.7	18.4

(*) ITOCHU Corporation and its subsidiaries early adopted EITF No.04-6 in fiscal year 2006. In accordance with U.S. GAAP, the cumulative effect of the accounting change is retroactively reflected on former announced various figures in the first quarter of fiscal year 2006.

On the list represented left, due to this adoption, the net income of the first quarter of fiscal year 2006 is changed from 33.1 billion yen to 29.7 billion yen.

Number of Group Companies

	June 30, 2006			March 31, 2006			Increase	Decrease	Changes within Group	Net changes	
	Domestic	Overseas	Total	Domestic	Overseas	Total					
Subsidiaries	221	218	439	220	222	442	+ 14	(7)	+ 1	(11)	(3)
Associated companies	101	120	221	95	114	209	+ 4	(2)	(1)	+ 11	+ 12
Total	322	338	660	315	336	651	+ 18	(9)			+ 9

Number of Direct Controlled Companies

	June 30, 2006			March 31, 2006			Increase	Decrease	Changes within Group	Net changes	
	Domestic	Overseas	Total	Domestic	Overseas	Total					
Subsidiaries	137	139	276	142	142	284	+ 5	(3)	+ 1	(11)	(8)
Associated companies	71	92	163	66	86	152	+ 3	(2)	(1)	+ 11	+ 11
Total	208	231	439	208	228	436	+ 8	(5)			+ 3

(Note) Direct controlled companies are monitored by ITOCHU Corporation to directly implement its group management strategy.

Share of Group Companies Reporting Profits

	Apr-Jun 2006			Apr-Jun 2005			Increase(Decrease)		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Number of companies reporting profits	238	254	492	240	267	507	(2)	(13)	(15)
Number of group companies	322	338	660	323	349	672	(1)	(11)	(12)
Share of group companies reporting profits	73.9%	75.1%	74.5%	74.3%	76.5%	75.4%	(0.4%)	(1.4%)	(0.9%)

Profits / Losses of Group Companies Reporting Profits / Losses

(Unit : billion yen)

	Apr-Jun 2006			Apr-Jun 2005			Increase(Decrease)		
	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Group companies excluding overseas trading subsidiaries	37.1	(4.2)	32.9	(*) 26.8	(4.5)	(*) 22.4	+ 10.3	+ 0.3	+ 10.5
Overseas trading subsidiaries	4.5	(0.4)	4.1	(*) 3.9	(0.2)	(*) 3.7	+ 0.6	(0.2)	+ 0.4
Total	41.6	(4.6)	37.0	(*) 30.7	(4.7)	(*) 26.0	+ 10.9	+ 0.1	+ 10.9

Major New Group Companies

Segments	Name	Shares	Categories
Machinery	Midlantic Machinery, Inc.	(100.0%)	Construction machinery dealer in North America
Chemicals	SHOWA ALUMINUM POWDER K.K.	(85.1%)	Manufacture of aluminum pastes
Chemicals	BRUNEI METHANOL COMPANY SDN BHD	(25.0%)	Manufacture of methanol

Major Group Companies Reporting Profits (*1)

(Unit : billion yen)	Apr-Jun 2006	Apr-Jun 2005
<Subsidiaries>		
ITOCHU Minerals & Energy of Australia Pty Ltd (*2)	7.4	4.1
ITOCHU Oil Exploration (Azerbaijan) Inc.	3.8	0.7
PrimeSource Building Products, Inc. (*3)	1.8	1.2
ITOCHU Petroleum Japan Ltd. (*4)	1.2	0.3
ITOCHU Finance Corporation (*5)	0.7	0.7
ITOCHU PLASTICS INC.	0.6	0.5
ITOCHU Kenzai Corp.	0.5	0.1
ITOCHU Non-Ferrous Materials Co., Ltd.	0.4	0.4
ITOCHU CHEMICAL FRONTIER Corporation	0.4	0.2
JOIX CORPORATION	0.3	0.4
<Associated companies>		
Marubeni-Itochu Steel Inc.	4.2	4.4
FamilyMart Co., Ltd.	1.1	1.2
Mazda Canada Inc.	0.8	0.7
Chemoil Energy Ltd. (*4) (*6)	0.6	0.1
AI Beverage Holding Co., Ltd.	0.5	0.2
kabu.com Securities Co., Ltd. (*5)	0.4	0.2
Chemoil Corporation	0.3	0.1

Major Group Companies Reporting Losses (*1)

(Unit : billion yen)	Apr-Jun 2006	Apr-Jun 2005
<Subsidiaries>		
ITOCHU Property Development, Ltd.	(0.3)	0.0
MCL Group Ltd.	(0.1)	0.0
REIFEN GUNDLACH GmbH (*7)	(0.1)	0.0
Hinbo International Industrial Co., Ltd.	(0.1)	(0.1)
I.C.S.Co., Ltd.	(0.1)	0.0

Performance of Major Overseas Trading Subsidiaries

(Unit : billion yen)	Apr-Jun 2006	Apr-Jun 2005
ITOCHU International Inc. (*3)	2.2	1.8
ITOCHU Europe PLC. (*7)	(0.3)	(0.2)
ITOCHU Hong Kong Ltd.	0.5	0.6
ITOCHU (China) Holding Co., Ltd.	0.6	0.3
ITOCHU Australia Ltd. (*2)	0.4	0.2

(*1) ITOCHU's share of net income are the figures after adjusting to U.S. GAAP, which can be different from the figures each company announces. For listed group companies, the results of the companies whose announcement were on or before July 27 are represented.

(*2) The net income of ITOCHU Australia Ltd. includes 3.7% of that of ITOCHU Minerals & Energy of Australia Pty Ltd.

ITOCHU Corporation and its subsidiaries early adopted EITF No.04-6 in fiscal year 2006.

In accordance with U.S. GAAP, the cumulative effect of the accounting change is retroactively reflected on former announced figures in the first quarter of fiscal year 2006.

Due to this adoption, the net income of ITOCHU Minerals & Energy of Australia Pty Ltd of the first quarter of fiscal year 2006 is changed from 7.5 billion yen to 4.1 billion yen.

(*3) The net income of ITOCHU International Inc. includes 80.0% of that of PrimeSource Building Products, Inc.

(*4) The net income of ITOCHU Petroleum Japan Ltd. includes 25.0% of that of Chemoil Energy Ltd.

(*5) The net income of ITOCHU Finance Corporation includes 4.2% of that of kabu.com Securities Co., Ltd.

(*6) BERKSHIRE OIL CO., LTD. changed its name to Chemoil Energy Ltd.

(*7) This first quarter's net income of ITOCHU Europe PLC includes 10.0% of that of REIFEN GUNDLACH GmbH (In the same period of the previous fiscal year, 60.0% was included).

Consolidated Statements of Operations [Condensed]

-Unaudited-

ITOCHU Corporation and Subsidiaries

For the three months ended June 30, 2006 and 2005

	Millions of Yen		Millions of U.S. dollars
	Apr.-Jun. 2006	Apr.-Jun. 2005	Apr.-Jun. 2006
Revenue:			
Sales revenue	¥ 461,360	¥ 397,373	\$ 4,004
Trading margins and commissions on trading transactions.....	98,326	89,635	853
Total trading transactions :			
Apr.-Jun 2006: 2,577,522 million yen (22,367 million U.S.dollars)			
Apr.-Jun 2005: 2,428,053 million yen			
Total revenue.....	559,686	487,008	4,857
Cost of sales.....	(378,948)	(329,315)	(3,289)
Gross trading profit	180,738	157,693	1,568
Selling, general and administrative expenses	(127,380)	(120,511)	(1,105)
Provision for doubtful receivables.....	228	(443)	2
Interest income	3,579	3,008	31
Interest expense	(10,187)	(8,884)	(88)
Dividends received.....	6,032	5,125	52
Gain on disposal of investments and marketable securities, net of write-down.....	10,581	4,203	92
Gain (loss) on property and equipment-net.....	(358)	700	(3)
Other-net.....	1,370	255	12
	(116,135)	(116,547)	(1,007)
Income before income taxes, minority interests, equity in earnings of associated companies and cumulative effect of an accounting change.....	64,603	41,146	561
Income taxes.....	(27,716)	(18,576)	(241)
Income before minority interests, equity in earnings of associated companies and cumulative effect of an accounting change.....	36,887	22,570	320
Minority interests	(1,807)	(1,903)	(16)
Equity in earnings of associated companies	13,061	12,467	114
Income before cumulative effect of an accounting change.....	48,141	(Note 3) 33,134	418
Cumulative effect of an accounting change	-	(Note 3) (3,439)	-
Net income.....	¥ 48,141	(Note 3) ¥ 29,695	\$ 418
Comprehensive income:			
Net income.....	¥ 48,141	¥ 29,695	\$ 418
Other comprehensive income (loss) (net of tax):			
Net change in foreign currency translation adjustments during the period.....	1,925	8,191	16
Minimum pension liability adjustments.....	11	35	0
Net change in unrealized holding gains on securities during the period.....	(15,909)	5,077	(138)
Net change in unrealized holding gains (losses) on derivative instruments during the period.....	(12)	(1,362)	(0)
Total other comprehensive income (loss).....	(13,985)	11,941	(122)
Total.....	¥ 34,156	¥ 41,636	\$ 296

Note :

1. Consolidated statements of operations have been prepared in conformity with accounting principles generally accepted in the United States of America.
2. "Total trading transactions" is presented in accordance with Japanese accounting practice.
Total trading transactions in the consolidated statements of operations consist of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.
3. ITOCHU Corporation and its subsidiaries early adopted Emerging Issues Task Force (EITF) No.04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry" in fiscal year 2006. In accordance with U.S. GAAP, the cumulative effect (loss of 3,439 million yen, net of tax) of the accounting change is retroactively reflected on the former announced Net income (33,134 million yen) in the first quarter of fiscal year 2006.

[Explanation for Consolidated Statements of Operations]

Revenue	(Unit : billion yen)	<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	Increase (Decrease)	Reasons for changes Increase in transactions in automobile; resource-related (higher price of crude oil/increase in transaction volume resulting from full-scale crude oil production); building material-related transactions in North America			
	Revenue	559.7	487.0	72.7				
Gross trading profit	(Unit : billion yen)	<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	Increase (Decrease)	Refer to page 8 "Operating Segment Information" Increase due to good performance in ITOCHU Corporation and existing subsidiaries : +18.9 Effect from joining of subsidiaries : +2.7 Effect from leaving of subsidiaries : -2.6 Effect of exchange rate fluctuations : +4.0			
	Gross trading profit	180.7	157.7	23.0				
Selling, general and administrative expenses	(Unit : billion yen)	<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	Increase (Decrease)	Pension expenses: +1.5 Increase accompanied by expansion of business in existing ITOCHU Corporation and subsidiaries : -7.3 Effect from joining of subsidiaries : -1.2 Effect from leaving of subsidiaries : +2.3 Effect of exchange rate fluctuations : -2.2			
	Personnel expenses (including pension expenses)	(57.9)	(54.7)	(3.2)				
	Service charge, distribution costs	(28.3)	(27.3)	(1.1)				
	Rent, depreciation and amortization	(15.3)	(14.1)	(1.3)				
	Travel expenses	(5.4)	(4.8)	(0.6)				
	Others	(20.4)	(19.7)	(0.8)				
	Other expenses	(69.4)	(65.8)	(3.6)				
Total	(127.4)	(120.5)	(6.9)					
Provision for doubtful receivables	(Unit : billion yen)	<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	Increase (Decrease)	Appropriation due to collection of receivables			
Provision for doubtful receivables		0.2	(0.4)	0.7				
Net financial expenses	(Unit : billion yen)	<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	Increase (Decrease)	(Average)	<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	<u>Changes</u>
	Net financial expenses	(0.6)	(0.8)	0.2	TIBOR ¥ 3M	0.215%	0.080%	0.135%
	Interest income	3.6	3.0	0.6	LIBOR US\$ 3M	4.765%	2.840%	1.925%
	Interest expense	(10.2)	(8.9)	(1.3)				
	Net interest expenses	(6.6)	(5.9)	(0.7)	Effect of rising interest rates			
Dividends received	6.0	5.1	0.9	Dividends received from LNG-related investments +0.7 (2.2→2.8)				
Gain on disposal of investments and marketable securities, net of write-down	(Unit : billion yen)	<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	Increase (Decrease)	Net gains on sales of securities +2.7 (4.2→6.9), Gain on exchange of the security +3.5 (-→3.5)			
Gain on disposal of investments and marketable securities, net of write-down		10.6	4.2	6.4				
Gain (loss) on property and equipment-net	(Unit : billion yen)	<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	Increase (Decrease)	Net gains (losses) on sales of fixed assets -0.6 (0.5→-0.1), Impairment losses on fixed assets and others -0.4 (0.2→-0.3)			
Gain (loss) on property and equipment-net		(0.4)	0.7	(1.1)				
Other-net	(Unit : billion yen)	<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	Increase (Decrease)	Increase in miscellaneous-net			
Other-net		1.4	0.3	1.1				
Minority interests	(Unit : billion yen)	<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	Increase (Decrease)				
Minority interests		(1.8)	(1.9)	0.1				
Equity in earnings of associated companies	(Unit : billion yen)	<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	Increase (Decrease)	Good performance in associated companies of international petroleum products trading Refer to page 2 "Major Group Companies Reporting Profits"			
Equity in earnings of associated companies		13.1	12.5	0.6				
Cumulative effect of an accounting change	(Unit : billion yen)	<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	Increase (Decrease)	Apr-Jun 2005: Cumulative effect of accounting change for production stripping costs in mining industry Refer to page 3 "Note 3"			
Cumulative effect of an accounting change		-	(3.4)	3.4				
Total trading transactions	(Unit : billion yen)	<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	Increase (Decrease)	Refer to page 8 "Operating Segment Information" Effect of exchange rate fluctuations: Approximately +121.0			
	Total trading transactions	2,577.5	2,428.1	149.5				
	Gross trading profit ratio	7.0%	6.5%	0.5%				
Adjusted profit	(Unit : billion yen)	<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	Increase (Decrease)	(*) The amount () presents changes from the same period of the previous fiscal year Adjusted profit(*) (+16.9)= Gross trading profit (+23.0) + SG&A expenses(-6.9) + Net financial expenses(+0.2) + Equity in earnings of associated companies(+0.6)			
	Adjusted profit	65.8	48.9	16.9				
[Average exchange rate Yen/US\$]		[For March closing companies]			[For December closing companies]			
		<u>Apr-Jun 2006</u>	<u>Apr-Jun 2005</u>	<u>Changes</u>	<u>Jan-Mar 2006</u>	<u>Jan-Mar 2005</u>	<u>Changes</u>	
		115.49	106.63	8.86	117.22	104.20	13.02	
		<u>Apr-Jun 2005</u>	<u>Apr-Jun 2004</u>	<u>Changes</u>	<u>Jan-Mar 2005</u>	<u>Jan-Mar 2004</u>	<u>Changes</u>	
		106.63	110.01	(3.38)	104.20	106.85	(2.65)	

Consolidated Balance Sheets (Assets) [Condensed]

ITOCHU Corporation and Subsidiaries

As of June 30, 2006 and March 31, 2006

-Unaudited-

Assets	Millions of Yen		Millions of
	Jun. 2006	Mar. 2006	U.S. dollars
			Jun. 2006
Current assets:			
Cash and cash equivalents.....	¥ 377,870	¥ 477,707	\$ 3,279
Time deposits.....	22,212	24,447	193
Marketable securities.....	31,655	48,282	275
Trade receivables:			
Notes.....	197,455	149,386	1,714
Accounts.....	1,183,547	1,079,404	10,270
Allowance for doubtful receivables.....	(18,182)	(17,755)	(158)
Net trade receivables.....	1,362,820	1,211,035	11,826
Due from associated companies.....	77,095	93,569	669
Inventories.....	506,245	458,876	4,393
Advances to suppliers.....	148,002	121,252	1,284
Prepaid expenses.....	32,288	28,771	280
Deferred tax assets.....	38,079	35,165	330
Other current assets.....	222,474	180,519	1,931
Total current assets.....	2,818,740	2,679,623	24,460
Investments and non-current receivables:			
Investments in and advances to			
associated companies.....	610,052	619,007	5,294
Other investments.....	546,587	528,440	4,743
Other non-current receivables.....	189,096	196,409	1,641
Allowance for doubtful receivables.....	(96,025)	(103,600)	(834)
Net investments and non-current receivables.....	1,249,710	1,240,256	10,844
Property and equipment, at cost:			
Land.....	167,686	152,149	1,455
Buildings.....	322,946	293,605	2,802
Machinery and equipment.....	274,409	263,637	2,381
Furniture and fixtures.....	59,889	52,607	520
Mineral rights.....	41,669	41,296	362
Construction in progress.....	15,184	10,582	132
Total property and equipment, at cost.....	881,783	813,876	7,652
Less accumulated depreciation.....	353,950	326,088	3,072
Net property and equipment.....	527,833	487,788	4,580
Prepaid pension cost.....	187,281	186,105	1,625
Deferred tax assets, non-current.....	32,878	47,365	286
Other assets.....	183,080	155,876	1,589
Total.....	¥ 4,999,522	¥ 4,797,013	\$ 43,384

Note :

Consolidated balance sheets have been prepared in conformity with accounting principles generally accepted in the United States of America.

Consolidated Balance Sheets (Liabilities and Stockholders' Equity) [Condensed]

-Unaudited-

ITOCHU Corporation and Subsidiaries

As of June 30, 2006 and March 31, 2006

Liabilities and Stockholders' Equity	Millions of Yen		Millions of U.S. dollars
	Jun. 2006	Mar. 2006	Jun. 2006
Current liabilities:			
Short-term debt	¥ 423,603	¥ 382,434	\$ 3,676
Current maturities of long-term debt.....	97,033	173,097	842
Trade payables:			
Notes and acceptances.....	177,594	156,395	1,541
Accounts.....	1,046,465	921,797	9,081
Total trade payables.....	1,224,059	1,078,192	10,622
Due to associated companies.....	39,485	46,680	342
Accrued expenses.....	116,754	111,078	1,013
Income taxes payable.....	30,385	38,361	264
Advances from customers.....	161,030	135,790	1,397
Deferred tax liabilities.....	331	605	3
Other current liabilities.....	186,774	163,589	1,621
Total current liabilities	2,279,454	2,129,826	19,780
Long-term debt, excluding current maturities.....	1,789,859	1,762,103	15,532
Accrued retirement and severance benefits.....	24,168	19,081	210
Deferred tax liabilities, non-current.....	24,371	29,470	211
Commitments and contingent liabilities			
Minority interests.....	128,728	129,717	1,117
Stockholders' equity:			
Common stock:			
Authorized 3,000,000,000 shares;			
Issued:			
1,584,889,504 shares	202,241	202,241	1,755
Capital surplus	137,035	137,035	1,189
Retained earnings:			
Legal reserve	6,655	5,667	58
Other retained earnings	349,499	310,261	3,033
Total retained earnings	356,154	315,928	3,091
Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments.....	(23,876)	(25,801)	(207)
Minimum pension liability adjustments.....	(2,075)	(2,086)	(18)
Unrealized holding gains on securities.....	81,780	97,689	709
Unrealized holding gains on derivative instruments.....	3,075	3,087	27
Total accumulated other comprehensive income	58,904	72,889	511
Treasury stock, at cost.....	(1,392)	(1,277)	(12)
Total stockholders' equity	752,942	726,816	6,534
Total	¥ 4,999,522	¥ 4,797,013	\$ 43,384

[Explanation for Consolidated Balance Sheets]

Total assets at the end of the first quarter of fiscal year 2007 increased by 202.5 billion yen to 4,999.5 billion yen (43,384 million U.S. dollars) compared with the March 31, 2006, with an increase in assets (approximately 220.0 billion yen) due to NIPPON ACCESS, INC. classified from an associated company to a subsidiary and an increase in trade receivables related to higher market price and expansion of transactions in Energy, Forest products & General Merchandise and chemicals despite a decrease in cash and cash equivalents.

Assets

		(Unit: billion yen)			Reasons for changes
		Jun 2006	Mar 2006	Increase (Decrease)	
Cash and cash equivalents	...	377.9	477.7	(99.8)	
Net trade receivables	...	1,362.8	1,211.0	151.8	... Increase in Energy; Forest Products & General Merchandise and Chemicals in addition to effect of NIPPON ACCESS, INC. classified from an associated company to a subsidiary
Due from associated companies	...	77.1	93.6	(16.5)	... Effect of NIPPON ACCESS, INC. classified from an associated company to a subsidiary
Inventories	...	506.2	458.9	47.4	... Increase in Machinery; Aerospace, Electronics & Multimedia and Food in addition to effect of NIPPON ACCESS, INC. classified from an associated company to a subsidiary
Advances to suppliers	...	148.0	121.3	26.8	... Mainly increase in Machinery and Aerospace, Electronics & Multimedia
Other current assets	...	222.5	180.5	42.0	... Effect of NIPPON ACCESS, INC. classified from an associated company to a subsidiary
Other investments	...	546.6	528.4	18.1	... Effect of NIPPON ACCESS, INC. classified from an associated company to a subsidiary
Net property and equipment	...	527.8	487.8	40.0	... Effect of NIPPON ACCESS, INC. classified from an associated company to a subsidiary
Other assets	...	183.1	155.9	27.2	... Effect of NIPPON ACCESS, INC. classified from an associated company to a subsidiary

Liabilities

		(Unit: billion yen)			Reasons for changes
		Jun 2006	Mar 2006	Increase (Decrease)	
Trade payables	...	1,224.1	1,078.2	145.9	... Mainly increase in Energy and Forest Products & General Merchandise in addition to effect of NIPPON ACCESS, INC. classified from an associated company to a subsidiary
Advances from customers	...	161.0	135.8	25.2	... Mainly increase in Machinery and Aerospace, Electronics & Multimedia
Other current liabilities	...	186.8	163.6	23.2	... Mainly increase in Aerospace, Electronics & Multimedia and Chemicals in addition to effect of NIPPON ACCESS, INC. classified from an associated company to a subsidiary
[Interest-bearing debt]					
Short-term loans	...	423.6	382.4	41.2	
Current maturities of long-term loans	...	94.1	133.2	(39.1)	
Current maturities of debentures	...	2.9	39.9	(36.9)	
Short-term total	...	520.6	555.5	(34.9)	
Long-term loans	...	1,520.3	1,519.7	0.7	
Debentures	...	184.0	160.8	23.2	
Long-term total	...	1,704.3	1,680.5	23.9	
Total interest-bearing debt	...	2,225.0	2,236.0	(11.0)	
SFAS 133 fair value adjustment	...	(9.4)	(9.5)	0.1	
Adjusted total interest-bearing debt	...	2,215.6	2,226.5	(10.9)	
Cash, cash equivalents and time deposits	...	400.1	502.2	(102.1)	
Net interest-bearing debt	...	1,815.5	1,724.3	91.2	
Net debt-to-equity ratio [times]	...	2.4	2.4	-	

Stockholders' equity

		(Unit: billion yen)			Reasons for changes
		Jun 2006	Mar 2006	Increase (Decrease)	
Common stock	...	202.2	202.2	-	
Capital surplus	...	137.0	137.0	-	
Retained earnings:	...	356.2	315.9	40.2	
Legal reserve	...	6.7	5.7	1.0	
Other retained earnings	...	349.5	310.3	39.2	... Net income +48.1, Distribution of dividends -7.9, Transfer to legal reserve -1.0
Accumulated other comprehensive income (loss):	...	58.9	72.9	(14.0)	
Foreign currency translation adjustments	...	(23.9)	(25.8)	1.9	
Minimum pension liability adjustments	...	(2.1)	(2.1)	0.0	
Unrealized holding gains on securities	...	81.8	97.7	(15.9)	... Effect of decline in stock prices compared with March 31, 2006
Unrealized holding gains on derivative instruments	...	3.1	3.1	(0.0)	
Treasury stock, at cost	...	(1.4)	(1.3)	(0.1)	
Total stockholders' equity	...	752.9	726.8	26.1	
Ratio of stockholders' equity to total assets	...	15.1%	15.2%	(0.1%)	

[Current exchange rate Yen/US\$]

[For March closing companies]

[For December closing companies]

Jun 2006	Mar 2006	Changes	Mar 2006	Dec 2005	Changes
115.24	117.47	(2.23)	117.47	118.07	(0.60)
Jun 2005	Mar 2005	Changes	Mar 2005	Dec 2004	Changes
110.62	107.39	3.23	107.39	104.21	3.18

Operating Segment Information

ITOCHU Corporation and Subsidiaries

For the three months ended June 30, 2006 and 2005

-Unaudited-

ITOCHU (ITOCHU Corporation and its subsidiaries) is engaged in a wide range of business activities such as worldwide trading operations in various commodities, financing for customers and suppliers, organizing and coordinating industrial projects, and investing in resource development, advanced technology, information and multimedia.

ITOCHU Corporation has introduced a division company system, and information on operating segments is prepared and presented according to this system.

This system is regularly used for decisions in operations, including resource allocations, and evaluations by the management.

Information concerning operations in different operating segments for the three months ended June 30, 2006 and 2005 is as follows:

For the three months ended June 30, 2006 (April 1, 2006 - June 30, 2006)									Yen (millions)
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Total trading transactions:									
Unaffiliated customers and associated companies	¥ 176,439	¥ 352,509	¥ 145,357	¥ 758,679	¥ 493,058	¥ 541,463	¥ 50,601	¥ 59,416	¥ 2,577,522
Transfers between operating segments	174	100	589	124	4,125	91	416	(5,619)	-
Total trading transactions	<u>176,613</u>	<u>352,609</u>	<u>145,946</u>	<u>758,803</u>	<u>497,183</u>	<u>541,554</u>	<u>51,017</u>	<u>53,797</u>	<u>2,577,522</u>
Gross trading profit	<u>27,180</u>	<u>21,108</u>	<u>27,424</u>	<u>24,290</u>	<u>29,120</u>	<u>35,818</u>	<u>10,610</u>	<u>5,188</u>	<u>180,738</u>
Net income	<u>2,152</u>	<u>6,781</u>	<u>2,440</u>	<u>18,894</u>	<u>5,135</u>	<u>4,999</u>	<u>2,030</u>	<u>5,710</u>	<u>48,141</u>
[Equity in earnings (losses) of associated companies].....	<u>[311]</u>	<u>[1,909]</u>	<u>[(298)]</u>	<u>[6,414]</u>	<u>[21]</u>	<u>[2,603]</u>	<u>[2,129]</u>	<u>[(28)]</u>	<u>[13,061]</u>
Identifiable assets at June 30, 2006.....	<u>376,471</u>	<u>533,626</u>	<u>514,919</u>	<u>687,526</u>	<u>695,945</u>	<u>1,023,802</u>	<u>579,314</u>	<u>587,919</u>	<u>4,999,522</u>
For the three months ended June 30, 2005 (April 1, 2005 - June 30, 2005)									Yen (millions)
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Total trading transactions:									
Unaffiliated customers and associated companies	¥ 189,894	¥ 351,657	¥ 142,255	¥ 636,640	¥ 452,299	¥ 533,176	¥ 60,791	¥ 61,341	¥ 2,428,053
Transfers between operating segments	149	102	801	304	1,266	65	1,792	(4,479)	-
Total trading transactions	<u>190,043</u>	<u>351,759</u>	<u>143,056</u>	<u>636,944</u>	<u>453,565</u>	<u>533,241</u>	<u>62,583</u>	<u>56,862</u>	<u>2,428,053</u>
Gross trading profit	<u>26,786</u>	<u>14,979</u>	<u>23,455</u>	<u>15,484</u>	<u>25,174</u>	<u>34,724</u>	<u>9,937</u>	<u>7,154</u>	<u>157,693</u>
Net income	<u>2,633</u>	<u>2,811</u>	<u>2,179</u>	<u>10,693</u>	<u>4,453</u>	<u>4,004</u>	<u>1,782</u>	<u>1,140</u>	<u>29,695</u>
[Equity in earnings of associated companies].....	<u>[320]</u>	<u>[1,454]</u>	<u>[120]</u>	<u>[5,710]</u>	<u>[806]</u>	<u>[2,382]</u>	<u>[1,640]</u>	<u>[35]</u>	<u>[12,467]</u>
Identifiable assets at June 30, 2005.....	<u>370,428</u>	<u>473,760</u>	<u>483,888</u>	<u>581,914</u>	<u>637,180</u>	<u>768,146</u>	<u>638,136</u>	<u>696,617</u>	<u>4,650,069</u>
Identifiable assets at March 31, 2006.....	<u>395,416</u>	<u>489,018</u>	<u>524,715</u>	<u>644,383</u>	<u>634,297</u>	<u>778,787</u>	<u>600,851</u>	<u>729,546</u>	<u>4,797,013</u>
For the three months ended June 30, 2006 (April 1, 2006 - June 30, 2006)									U.S. dollars (millions)
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Total trading transactions:									
Unaffiliated customers and associated companies	\$ 1,531	\$ 3,059	\$ 1,261	\$ 6,584	\$ 4,278	\$ 4,699	\$ 439	\$ 516	\$ 22,367
Transfers between operating segments	2	1	5	1	36	0	4	(49)	-
Total trading transactions	<u>1,533</u>	<u>3,060</u>	<u>1,266</u>	<u>6,585</u>	<u>4,314</u>	<u>4,699</u>	<u>443</u>	<u>467</u>	<u>22,367</u>
Gross trading profit	<u>236</u>	<u>183</u>	<u>238</u>	<u>211</u>	<u>252</u>	<u>311</u>	<u>92</u>	<u>45</u>	<u>1,568</u>
Net income	<u>19</u>	<u>59</u>	<u>21</u>	<u>164</u>	<u>45</u>	<u>43</u>	<u>18</u>	<u>49</u>	<u>418</u>
[Equity in earnings (losses) of associated companies].....	<u>[3]</u>	<u>[17]</u>	<u>[(3)]</u>	<u>[56]</u>	<u>[0]</u>	<u>[23]</u>	<u>[18]</u>	<u>[0]</u>	<u>[114]</u>
Identifiable assets at June 30, 2006.....	<u>3,267</u>	<u>4,631</u>	<u>4,468</u>	<u>5,966</u>	<u>6,039</u>	<u>8,884</u>	<u>5,027</u>	<u>5,102</u>	<u>43,384</u>

Note:

- "Equity in earnings of associated companies" is included in Net income.
- "Total trading transactions" is presented in accordance with Japanese accounting practice.
Total trading transactions consist of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.
- ITOCHU Corporation and its subsidiaries early adopted Emerging Issues Task Force (EITF) No.04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry" in fiscal year 2006. In accordance with U.S. GAAP, the cumulative effect (loss of 3,439 million yen, net of tax) of the accounting change is retroactively reflected on the former announced figures of Energy Metals & Minerals segment's "Net income" and "Identifiable assets at June 30, 2005" disclosed in the first quarter of fiscal year 2006.

[Explanation for Operating Segment Information]

Total trading transactions	(Unit : billion yen)		Increase	Reasons for changes
	Apr-Jun 2006	Apr-Jun 2005	(Decrease)	
Textile	176.4	189.9	(13.5)	Decrease mainly due to decrease in less profitable up/midstream businesses transactions
Machinery	352.5	351.7	0.9	Almost at the same level as the first quarter of the previous fiscal year due to increase in automobile transactions despite decrease in a large agent transaction
Aerospace, Electronics & Multimedia	145.4	142.3	3.1	Increase due to good performance in domestic IT industry-related business
Energy, Metals & Minerals	758.7	636.6	122.0	Increase due to higher prices in crude oil and increase in transaction volume
Chemicals, Forest Products & General Merchandise	493.1	452.3	40.8	Increase due to steady growth in building market in North America, and continuous high market prices of chemicals
Food	541.5	533.2	8.3	Increase mainly due to expansion of food distribution transaction
Finance, Realty, Insurance & Logistics Services	50.6	60.8	(10.2)	Decrease due to logistics group company classified from a subsidiary to an associated company
Other, Adjustments & Eliminations	59.4	61.3	(1.9)	
Total	2,577.5	2,428.1	149.5	
Gross trading profit	(Unit : billion yen)		Increase	Reasons for changes
	Apr-Jun 2006	Apr-Jun 2005	(Decrease)	
Textile	27.2	26.8	0.4	Increase in brand-related business
Machinery	21.1	15.0	6.1	Increase due to good performance in plant, ships, automobile transactions in Europe & the U.S. and construction machinery business in North America
Aerospace, Electronics & Multimedia	27.4	23.5	4.0	Increase due to good performance in domestic IT industry-related business
Energy, Metals & Minerals	24.3	15.5	8.8	Increase due to higher prices in crude oil and increase in transaction volume by a start of full-scale operation of crude oil production
Chemicals, Forest Products & General Merchandise	29.1	25.2	3.9	Increase due to steady growth in building material-related transactions in North America, domestic chemical-related subsidiaries, and a recovery of prices in domestic housing material market
Food	35.8	34.7	1.1	Increase mainly due to expansion of food distribution transaction
Finance, Realty, Insurance & Logistics Services	10.6	9.9	0.7	Increase due to profit growth in finance-related business, despite decrease due to logistics group company classified from a subsidiary to an associated company
Other, Adjustments & Eliminations	5.2	7.2	(2.0)	Decrease due to disposal of a U.S. health care-related subsidiary in the third quarter of the previous fiscal year
Total	180.7	157.7	23.0	
Net income	(Unit : billion yen)		Increase	Reasons for changes
	Apr-Jun 2006	Apr-Jun 2005	(Decrease)	
Textile	2.2	2.6	(0.5)	Decrease due to increase in SG&A despite increase in gross trading profit
Machinery	6.8	2.8	4.0	Increase in gains on sales of investment securities and gross trading profit
Aerospace, Electronics & Multimedia	2.4	2.2	0.3	Increase due to good performance in domestic IT industry-related business despite increase in SG&A
Energy, Metals & Minerals	18.9	10.7	8.2	Increase in gross trading profit and effects of retroactively accounting for stripping cost in the first quarter of fiscal year 2006 [Refer to page 8 Note 3]
Chemicals, Forest Products & General Merchandise	5.1	4.5	0.7	Increase in gross trading profit despite decrease in equity in earnings of associated companies
Food	5.0	4.0	1.0	Increase in equity in earnings of associated companies despite increase in SG&A
Finance, Realty, Insurance & Logistics Services	2.0	1.8	0.2	Slight increase in gross trading profit despite decrease due to the absence of sale of property and equipment of insurance-related subsidiary at the same period of the previous fiscal year
Other, Adjustments & Eliminations	5.7	1.1	4.6	Increase in gain from exchange on the investment security despite decrease in gross trading profit
Total	48.1	29.7	18.4	
Identifiable assets	(Unit : billion yen)		Increase	Reasons for changes
	Jun 2006	Mar 2006	(Decrease)	
Textile	376.5	395.4	(18.9)	Decrease in trade receivables due to seasonal factors
Machinery	533.6	489.0	44.6	Increase in automobile-related investment, trade receivables relating to ships and automobile transactions
Aerospace, Electronics & Multimedia	514.9	524.7	(9.8)	Decrease due to collection of trade receivables in IT-related business
Energy, Metals & Minerals	687.5	644.4	43.1	Increase in trade receivables due to increase in energy-related transactions
Chemicals, Forest Products & General Merchandise	695.9	634.3	61.6	Increase in trade receivables due to higher market prices
Food	1,023.8	778.8	245.0	Significant increase due to classification of the group company from an associated company to a subsidiary
Finance, Realty, Insurance & Logistics Services	579.3	600.9	(21.5)	Decrease in cash and cash equivalents of finance-related subsidiary and reduction in construction-related assets
Other, Adjustments & Eliminations	587.9	729.5	(141.6)	Decrease in cash and cash equivalents
Total	4,999.5	4,797.0	202.5	