

January 31, 2007

Consolidated Financial Results for the Third Quarter of Fiscal 2007

For the nine months ended December 31, 2006 and 2005

ITOCHU Corporation

ITOCHU Corporation

Code Number 8001

(URL http://www.itochu.co.jp/main/ir/index_e.html)

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-Unaudited-

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 Third 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] 34, [Decrease] 31 Associated companies : [Increase] 31, [Decrease] 10
The number of consolidated subsidiaries and associated companies
Consolidated subsidiaries : 445 Associated companies : 230
[Reference] March 31, 2006 Consolidated subsidiaries : 442 Associated companies : 209

2. Consolidated Operating Results for the Third Quarter of Fiscal Year 2007**(1) Consolidated Operating Results (Summary) for the nine months ended December 31, 2006 (April 1, 2006 - December 31, 2006)**

	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(%)
For the third quarter of								
Fiscal Year 2007	8,583,375	12.2	191,382	42.1	216,465	44.0	150,511	37.1
Fiscal Year 2006	7,652,721	9.8	134,650	15.7	150,272	36.6	(Note 5) 109,803	55.9
[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	
For the third quarter of				
Fiscal Year 2007	95.16		95.03	
Fiscal Year 2006	(Note 5) 69.40		-	
[Reference] Fiscal year 2006	91.74		-	

(2) Consolidated Operating Results (Summary) for the three months ended December 31, 2006 (October 1, 2006 - December 31, 2006)

	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(%)
For the third quarter of								
Fiscal Year 2007	3,010,973	14.2	67,810	49.5	78,799	17.4	53,842	12.3
Fiscal Year 2006	2,637,592	11.5	45,354	12.5	67,133	66.3	47,962	82.5

[Summary of Consolidated Operating Results (for the nine months ended December 31, 2006)]

Total trading transactions increased by 12.2% or 930.7 billion yen to 8,583.4 billion yen (72,063 million U.S. dollars) compared with the same period of the previous fiscal year, mainly in Food due to increase associated with turning NIPPON ACCESS, INC. into a consolidated subsidiary this fiscal year; in Machinery due to expansion of automobile transactions, and in Energy, Metals & Minerals and Chemicals, Forest Products & General Merchandise due to steady market trend.

Gross trading profit increased by 26.7% or 139.4 billion yen to 661.8 billion yen (5,556 million U.S. dollars) compared with the same period of the previous fiscal year mainly in Food due to turning NIPPON ACCESS, INC. into a consolidated subsidiary; in Machinery due to good performance in ship business, plant project business, automobile business in Europe and U.S. and construction machinery business in North America; in Aerospace, Electronics & Multimedia through steady growth in domestic IT industry-related business; in Energy, Metals & Minerals due to rising of price of crude oil and increase of transaction volume brought by expanding of crude oil production in the oil fields owned; and in Chemicals, Forest Products & General Merchandise due to steady trend in domestic housing material market and chemical markets.

Selling, general and administrative expenses increased by 24.6% or 92.1 billion yen to 466.7 billion yen (3,918 million U.S. dollars) compared with the same period of the previous fiscal year, mainly due to turning NIPPON ACCESS, INC. into a consolidated subsidiary, and expansion of business. **Provision for doubtful receivables** decreased by 9.4 billion yen to 3.8 billion yen compared with the same period of the previous fiscal year, reflecting provision to receivables from Iraq last fiscal year.

Net financial expenses improved by 5.7% or 0.4 billion yen to 5.9 billion yen (50 million U.S. dollars) compared with the same period of the previous fiscal year.

Gain on disposal of investments and marketable securities, net of write-down decreased by 8.3 billion yen to 30.1 billion yen (253 million U.S. dollars) compared with the same period of the previous fiscal year due to absence of gain on sale of a healthcare-related investment in North America last fiscal year. **Other-net** improved by 18.0 billion yen to gain of 2.0 billion yen (16 million U.S. dollars), reflecting loss on legal settlement by the overseas trading subsidiary in U.S. last fiscal year. 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 by 44.0% or 66.2 billion yen to 216.5 billion yen (1,817 million U.S. dollars) compared with the same period of the previous fiscal year.

Equity in earnings of associated companies increased by 1.0% or 0.4 billion yen to 42.1 billion yen (354 million U.S. dollars) compared with the same period of the previous fiscal year due to good performance of international petroleum products trading companies despite low performance of some domestic associated companies. As a result, **Net income** increased by 37.1% or 40.7 billion yen to 150.5 billion yen (1,264 million U.S. dollars) compared with the same period of the previous fiscal year. [Please see also Note 5 for the operating results for the same period of the previous fiscal year.]

(3) 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	
As of December 31, 2006	5,446,231		888,534		16.3		561.87	
As of December 31, 2005	(Note 5) 4,974,043		(Note 5) 676,692		(Note 5) 13.6		(Note 5) 427.76	
[Reference] March 31, 2006	4,797,013		726,816		15.2		459.47	

[Summary of Consolidated Financial Position]

Total assets at the end of the third quarter of fiscal year 2007 increased by 13.5% or 649.2 billion yen to 5,446.2 billion yen (45,724 million U.S. dollars) compared with the one as of March 31, 2006, mainly in Food due to turning NIPPON ACCESS, INC. into a consolidated subsidiary (approximately 252.0 billion yen); in Machinery due to increase of Trade receivables and Inventories coming from expansion of automobile business and of additional automobile-related investment; and in Energy, Metals & Minerals and Chemicals, Forest Products & General Merchandise due to increase of Trade receivables accompanied by rising of market prices of materials.

Stockholders' equity increased by 22.3% or 161.7 billion yen to 888.5 billion yen (7,460 million U.S. dollars) compared with the one as of March 31, 2006, due to accumulation of Net income, improvement of Foreign currency translation adjustments brought by depreciation of yen exchange rate, and increase of Unrealized holding gains on securities due to rising of stock prices etc, despite distribution of dividends. **Ratio of stockholders' equity to total assets** improved by 1.2 points to 16.3% compared with the one as of March 31, 2006.

Net interest-bearing debt (interest-bearing debt after deducting cash, cash equivalents and time deposits) increased by 3.5% or 59.9 billion yen to 1,784.2 billion yen (14,979 million U.S. dollars). **NET DER** (Debt-to-Equity Ratio) improved by 0.4 points to 2.0 times compared with the one as of March 31, 2006.

[Reference] Forecasts of consolidated operating results for fiscal year 2007 (April 1, 2006 - March 31, 2007)

The forecasts of consolidated operating results for fiscal year 2007 have not been changed from the forecasts announced on October 30, 2006 (Total trading transactions 11,500.0 billion yen, Net income 171.0 billion yen).

***A cautionary Note on Forecasts:**

Above forecasts are based on management's assumptions and beliefs based on information currently available and involve risks and uncertainties. Thus, factors that could cause actual results to differ materially from such statements include, without limitation, global economic and market conditions, and currency exchange rate fluctuations.

Note: 1. Consolidated operating results and financial position for the third quarter of fiscal year 2007 and 2006 have been presented in accordance with U.S. GAAP.

2. Figures for the third quarter have not been audited by independent auditors.

3. "increase/decrease (%)" presents changes from the same period of the previous fiscal year.

4. "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"

5. 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 in the former announced figures for the nine months ended December 31, 2005.

6. 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 119.11 yen = 1 U.S. dollars, exchange rate prevailing on December 31, 2006.

Performance of Group Companies

For the nine months ended December 31, 2006 and 2005

Components of Consolidated Net Income

(Unit : billion yen)	Increase		
	Apr-Dec 2006	Apr-Dec 2005	
Parent company	62.0	41.8	20.2
Group companies excluding overseas trading subsidiaries	114.9	(*) 86.4	28.6
Overseas trading subsidiaries	15.9	(*) 7.3	8.6
Subtotal	192.8	135.5	57.3
Consolidation adjustments	(42.3)	(25.7)	(16.5)
Consolidated net income	150.5	(*) 109.8	40.7
Adjusted profit	231.3	183.3	48.1

(*) 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 in the former announced various figures for the nine months ended December 31, 2005. On the list represented left, due to this adoption, the net income for the nine months ended December 31, 2005 is changed from 113.2 billion yen to 109.8 billion yen.

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

Number of Group Companies

	December 31, 2006			March 31, 2006			Increase	Decrease	Changes within Group	Net changes	
	Domestic	Overseas	Total	Domestic	Overseas	Total					
Subsidiaries	225	220	445	220	222	442	+ 31	(19)	+ 3	(12)	+ 3
Associated companies	105	125	230	95	114	209	+ 19	(7)	(3)	+ 12	+ 21
Total	330	345	675	315	336	651	+ 50	(26)			+ 24

Number of Direct Controlled Companies

	December 31, 2006			March 31, 2006			Increase	Decrease	Changes within Group	Net changes	
	Domestic	Overseas	Total	Domestic	Overseas	Total					
Subsidiaries	136	138	274	142	142	284	+ 12	(11)	+ 1	(12)	(10)
Associated companies	71	96	167	66	86	152	+ 10	(6)	(1)	+ 12	+ 15
Total	207	234	441	208	228	436	+ 22	(17)			+ 5

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

Share of Group Companies Reporting Profits

	Apr-Dec 2006			Apr-Dec 2005			Increase(Decrease)		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Number of companies reporting profits	264	277	541	252	290	542	12	(13)	(1)
Number of group companies	330	345	675	322	357	679	8	(12)	(4)
Share of group companies reporting profits	80.0%	80.3%	80.1%	78.3%	81.2%	79.8%	+ 1.7%	(0.9%)	+ 0.3%

Profits / Losses of Group Companies Reporting Profits / Losses

(Unit : billion yen)

	Apr-Dec 2006			Apr-Dec 2005			Increase(Decrease)		
	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Group companies excluding overseas trading subsidiaries	124.4	(9.4)	114.9	(*) 96.8	(10.4)	(*) 86.4	+ 27.5	+ 1.0	+ 28.6
Overseas trading subsidiaries	16.5	(0.7)	15.9	(*) 7.8	(0.5)	(*) 7.3	+ 8.7	(0.2)	+ 8.6
Total	140.9	(10.1)	130.8	(*) 104.6	(10.9)	(*) 93.7	+ 36.3	+ 0.8	+ 37.1

Major New Group Companies for the Third Quarter of Fiscal 2007 (October 1, 2006 - December 31, 2006)

Segments	Name	Shares	Categories
Machinery	Century Leasing (China) Co., Ltd.	(20.0%)	Lease business
Machinery	Life Systems Healthcare Inc.	(100.0%)	Sales of medical instruments
Energy	Kansas Energy Partners LLC	(80.0%)	Sale and distribution of natural gas

Major Group Companies Reporting Profits (*1)

(Unit : billion yen)	Apr-Dec 2006	Apr-Dec 2005
<Subsidiaries>		
ITOCHU Minerals & Energy of Australia Pty Ltd (*2)	22.4	19.0
ITOCHU Oil Exploration (Azerbaijan) Inc.	17.2	3.0
PrimeSource Building Products, Inc. (*3)	5.4	4.8
ITOCHU Petroleum Japan Ltd. (*4)	5.1	1.7
ITOCHU Techno-Solutions Corporation (*5)	3.8	3.5
ITOCHU Kenzai Corp.	2.5	1.0
ITOCHU PLASTICS INC.	2.0	1.8
CIECO Energy (UK) Limited	1.7	0.1
ITOCHU CHEMICAL FRONTIER Corporation	1.3	1.0

Major Group Companies Reporting Losses (*1)

(Unit : billion yen)	Apr-Dec 2006	Apr-Dec 2005
<Subsidiaries>		
ITOCHU Property Development, Ltd.	(1.2)	0.0
C.I. FINANCE (CAYMAN) LTD.	(0.6)	0.2
<Associated companies>		
On Demand TV, Inc.	(1.4)	(0.9) (*)
Famima Credit Corporation (*6)	(0.4)	(0.3)

(*) From this year, this company turns from a consolidated subsidiary into an associated company because ITOCHU's voting share percentage becomes less than 50%.

<Associated companies>

	Apr-Dec 2006	Apr-Dec 2005
Marubeni-Itochu Steel Inc.	14.1	13.2
FamilyMart Co., Ltd. (*6)	4.2	4.4
Chemoil Energy Limited (*4)(*7)	3.2	1.5
Century Leasing System, Inc.	1.2	0.9
AI Beverage Holding Co., Ltd.	1.1	0.9
Mazda Canada Inc.	1.1	1.2
kabu.com Securities Co., Ltd.	0.9	1.0

Performance of Major Overseas Trading Subsidiaries

(Unit : billion yen)	Apr-Dec 2006	Apr-Dec 2005
ITOCHU International Inc. (*3)	9.6	2.0
ITOCHU Europe PLC.	(0.5)	(0.1)
ITOCHU Hong Kong Ltd.	1.6	1.5
ITOCHU (China) Holding Co., Ltd.	1.7	1.1
ITOCHU Australia Ltd. (*2)	1.2	0.7

(*1) ITOCHU's shares 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 January 30 are represented.

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

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 in the former announced figures for the nine months ended December 31, 2005. Due to this adoption, the net income of ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA) for the nine months ended December 31, 2005 (Apr-Dec 2005) is changed from 22.4 billion yen to 19.0 billion yen.

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

(*4) The net income of ITOCHU Petroleum Japan Ltd. includes 18.2% of that of Chemoil Energy Limited.

(*5) ITOCHU TECHNO-SCIENCE Corporation merged CRC Solutions Corp., and changed the name to ITOCHU Techno-Solutions Corporation. The net income of ITOCHU Techno-Solutions Corporation shows the total of both ITOCHU TECHNO-SCIENCE Corporation and CRC Solutions Corp.

(*6) The net income of FamilyMart Co., Ltd. includes 10.7% of that of Famima Credit Corporation.

(*7) Chemoil Energy Limited changed its name from BERKSHIRE OIL CO., LTD. Also, Chemoil Energy Limited merged CHEMOIL Corporation, which was our associated company.

The net income of Chemoil Energy Limited shows the total of both the former BERKSHIRE OIL CO., LTD and CHEMOIL Corporation.

Consolidated Statements of Operations [Condensed]

ITOCHU Corporation and Subsidiaries

For the nine months ended December 31, 2006 and 2005

	Millions of Yen				Millions of U.S. dollars
	2006 Apr.-Sep.	2006 Oct.-Dec.	2006 Apr.-Dec.	2005 Apr.-Dec.	2006 Apr.-Dec.
Revenue:					
Sales revenue	¥ 982,200	¥ 517,137	¥ 1,499,337	¥ 1,300,970	\$ 12,588
Trading margins and commissions on trading transactions.....	251,303	150,384	401,687	300,285	3,372
Total trading transactions :					
Apr.-Dec. 2006: 8,583,375 million yen (72,063 million U.S.dollars)					
Apr.-Dec. 2005: 7,652,721 million yen					
Total revenue.....	1,233,503	667,521	1,901,024	1,601,255	15,960
Cost of sales.....	(811,555)	(427,632)	(1,239,187)	(1,078,805)	(10,404)
Gross trading profit	421,948	239,889	661,837	522,450	5,556
Selling, general and administrative expenses	(295,351)	(171,329)	(466,680)	(374,586)	(3,918)
Provision for doubtful receivables	(3,025)	(750)	(3,775)	(13,214)	(31)
Interest income	7,968	4,097	12,065	9,641	101
Interest expense	(21,740)	(11,825)	(33,565)	(29,193)	(282)
Dividends received.....	10,005	5,597	15,602	13,300	131
Gain on disposal of investments and marketable securities, net of write-down.....	14,632	15,468	30,100	38,353	253
Loss on property and equipment-net.....	(788)	(285)	(1,073)	(466)	(9)
Other-net	4,017	(2,063)	1,954	(16,013)	16
	(284,282)	(161,090)	(445,372)	(372,178)	(3,739)
Income before income taxes, minority interests, equity in earnings of associated companies and cumulative effect of an accounting change.....	137,666	78,799	216,465	150,272	1,817
Income taxes	(60,677)	(38,461)	(99,138)	(70,763)	(832)
Income before minority interests, equity in earnings of associated companies and cumulative effect of an accounting change.....	76,989	40,338	117,327	79,509	985
Minority interests	(6,017)	(2,888)	(8,905)	(7,944)	(75)
Equity in earnings of associated companies.....	25,697	16,392	42,089	41,677	354
Income before cumulative effect of an accounting change.....	96,669	53,842	150,511	113,242	1,264
Cumulative effect of an accounting change.....	-	-	-	(3,439)	-
Net income	¥ 96,669	¥ 53,842	¥ 150,511	¥ 109,803	\$ 1,264
Comprehensive income:					
Net income.....	¥ 96,669	¥ 53,842	¥ 150,511	¥ 109,803	\$ 1,264
Other comprehensive income (loss) (net of tax):					
Net change in foreign currency translation adjustments during the period.....	1,084	17,692	18,776	27,156	158
Minimum pension liability adjustments.....	94	(68)	26	83	0
Net change in unrealized holding gains (losses) on securities during the period.....	(21,316)	33,039	11,723	46,581	98
Net change in unrealized holding gains (losses) on derivative instruments during the period.....	(4,019)	1,155	(2,864)	424	(24)
Total other comprehensive income (loss) (net of tax).....	(24,157)	51,818	27,661	74,244	232
Total.....	¥ 72,512	¥ 105,660	¥ 178,172	¥ 184,047	\$ 1,496

Note :

- Consolidated statements of operations have been prepared in conformity with accounting principles generally accepted in the United States of America.
- "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.
- 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 in the former announced Net income (113,242 million yen) for the nine months ended December 31, 2005.

[Explanation for Consolidated Statements of Operations]

Revenue	(Unit : billion yen)	<u>Apr-Dec 2006</u>	<u>Apr-Dec 2005</u>	Increase (Decrease)	<u>Reasons for changes</u> Increase due to transactions in automobile, Energy Development-related, Chemicals, Forest Products & General Merchandise-related, and turning NIPPON ACCESS, INC. into a consolidated subsidiary
	Revenue	1,901.0	1,601.3	299.8	
Gross trading profit	(Unit : billion yen)	<u>Apr-Dec 2006</u>	<u>Apr-Dec 2005</u>	Increase (Decrease)	Refer to page 8-9 "Segment Information" Increase due to good performance in ITOCHU Corporation and existing subsidiaries : +53.1 Effect from joining of subsidiaries : +83.2 Effect from leaving of subsidiaries : -8.0 Effect of exchange rate fluctuations : +11.1
	Gross trading profit	661.8	522.5	139.4	
Selling, general and administrative expenses	(Unit : billion yen)	<u>Apr-Dec 2006</u>	<u>Apr-Dec 2005</u>	Increase (Decrease)	Pension expenses: +3.4 Increase accompanied by expansion of business in ITOCHU Corporation and existing subsidiaries : -19.8 Effect from joining of subsidiaries : -77.5 Effect from leaving of subsidiaries : +7.2 Effect of exchange rate fluctuations : -5.4
	Personnel expenses	(187.1)	(166.4)	(20.7)	
	(including pension expenses)	(4.3)	(7.7)	3.4	
	Service charge, distribution costs	(139.2)	(88.7)	(50.4)	
	Rent, depreciation and amortization	(53.5)	(43.6)	(9.9)	
	Travel expenses	(17.7)	(15.5)	(2.2)	
	Others	(69.2)	(60.4)	(8.8)	
Other expenses	(279.6)	(208.2)	(71.4)		
Total	(466.7)	(374.6)	(92.1)		
Provision for doubtful receivables	(Unit : billion yen)	<u>Apr-Dec 2006</u>	<u>Apr-Dec 2005</u>	Increase (Decrease)	Apr-Dec 2005: Loss on Iraq receivables -10.1
Provision for doubtful receivables		(3.8)	(13.2)	9.4	
Net financial expenses	(Unit : billion yen)	<u>Apr-Dec 2006</u>	<u>Apr-Dec 2005</u>	Increase (Decrease)	(Average) <u>Apr-Dec 2006</u> <u>Apr-Dec 2005</u> <u>Changes</u> TIBOR ¥3M 0.377% 0.087% 0.290% LIBOR US\$3M 5.139% 3.310% 1.829%
	Net financial expenses	(5.9)	(6.3)	0.4	
	Interest income	12.1	9.6	2.4	
	Interest expense	(33.6)	(29.2)	(4.4)	
	Net interest expenses	(21.5)	(19.6)	(1.9)	
Dividends received	15.6	13.3	2.3	Mainly effect of rising interest rate Dividends received from LNG-related investments +1.5 (7.6→9.1)	
Gain on disposal of investments and marketable securities, net of write-down	(Unit : billion yen)	<u>Apr-Dec 2006</u>	<u>Apr-Dec 2005</u>	Increase (Decrease)	Gain on exchange of securities +3.5 (-→3.5) Devaluation losses on securities -1.0 (-1.0→-2.0) Net gains on sales of securities and others -10.8 (39.4→28.6)
Gain on disposal of investments and marketable securities, net of write-down		30.1	38.4	(8.3)	
Loss on property and equipment-net	(Unit : billion yen)	<u>Apr-Dec 2006</u>	<u>Apr-Dec 2005</u>	Increase (Decrease)	Net gains (losses) on sales of property and equipment -1.6 (1.1→-0.5) Impairment losses on property and equipment and others +1.0 (-1.6→-0.6)
Loss on property and equipment-net		(1.1)	(0.5)	(0.6)	
Other-net	(Unit : billion yen)	<u>Apr-Dec 2006</u>	<u>Apr-Dec 2005</u>	Increase (Decrease)	Apr-Dec 2005: Loss on legal settlement by the overseas trading subsidiary in the U.S. (-19.5)
Other-net		2.0	(16.0)	18.0	
Minority interests	(Unit : billion yen)	<u>Apr-Dec 2006</u>	<u>Apr-Dec 2005</u>	Increase (Decrease)	
Minority interests		(8.9)	(7.9)	(1.0)	
Equity in earnings of associated companies	(Unit : billion yen)	<u>Apr-Dec 2006</u>	<u>Apr-Dec 2005</u>	Increase (Decrease)	Good performance in associated companies of international petroleum products trading (Chemoil Energy Limited) Refer to page 2 "Major Group Companies Reporting Profits" and "Major Group Companies Reporting Losses"
Equity in earnings of associated companies		42.1	41.7	0.4	
Cumulative effect of an accounting change	(Unit : billion yen)	<u>Apr-Dec 2006</u>	<u>Apr-Dec 2005</u>	Increase (Decrease)	Apr-Dec 2005: Cumulative effect of accounting change for production stripping costs in the 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-Dec 2006</u>	<u>Apr-Dec 2005</u>	Increase (Decrease)	Refer to page 8-9 "Segment Information" Effect of exchange rate fluctuations: Approximately +255.0
	Total trading transactions	8,583.4	7,652.7	930.7	
Gross trading profit ratio		7.7%	6.8%	0.9%	
Adjusted profit	(Unit : billion yen)	<u>Apr-Dec 2006</u>	<u>Apr-Dec 2005</u>	Increase (Decrease)	(*) The amount () presents changes from the same period of the previous fiscal year Adjusted profit (*) (+48.1)= Gross trading profit (+139.4) + SG&A expenses(-92.1) + Net financial expenses(+0.4) + Equity in earnings of associated companies(+0.4)
	Adjusted profit	231.3	183.3	48.1	
[Average exchange rate Yen/US\$]	[For March closing companies]	<u>Apr-Dec 2006</u>	<u>Apr-Dec 2005</u>	<u>Changes</u>	[For December closing companies]
		116.49	110.64	5.85	<u>Jan-Sep 2006</u> <u>Jan-Sep 2005</u> <u>Changes</u>
		<u>Apr-Dec 2005</u>	<u>Apr-Dec 2004</u>	<u>Changes</u>	116.21 107.05 9.16
		110.64	109.18	1.46	<u>Jan-Sep 2005</u> <u>Jan-Sep 2004</u> <u>Changes</u>
					107.05 108.82 (1.77)

Consolidated Balance Sheets (Assets) [Condensed]

-Unaudited-

ITOCHU Corporation and Subsidiaries

As of December 31, 2006 and March 31, 2006

Assets	Millions of Yen		Millions of U.S. dollars
	Dec. 2006	Mar. 2006	Dec. 2006
Current assets:			
Cash and cash equivalents.....	¥ 435,330	¥ 477,707	\$ 3,655
Time deposits.....	2,277	24,447	19
Marketable securities.....	32,819	48,282	276
Trade receivables:			
Notes.....	211,301	149,386	1,774
Accounts.....	1,365,397	1,079,404	11,463
Allowance for doubtful receivables.....	(16,325)	(17,755)	(137)
Net trade receivables.....	1,560,373	1,211,035	13,100
Due from associated companies.....	97,370	93,569	818
Inventories.....	564,638	458,876	4,740
Advances to suppliers.....	167,283	121,252	1,404
Prepaid expenses.....	37,249	28,771	313
Deferred tax assets.....	31,802	35,165	267
Other current assets.....	261,854	180,519	2,198
Total current assets.....	3,190,995	2,679,623	26,790
Investments and non-current receivables:			
Investments in and advances to associated companies.....	658,515	619,007	5,529
Other investments.....	598,930	528,440	5,028
Other non-current receivables.....	183,734	196,409	1,543
Allowance for doubtful receivables.....	(110,076)	(103,600)	(924)
Net investments and non-current receivables.....	1,331,103	1,240,256	11,176
Property and equipment, at cost:			
Land.....	164,157	152,149	1,378
Buildings.....	329,521	293,605	2,767
Machinery and equipment.....	278,998	263,637	2,342
Furniture and fixtures.....	58,577	52,607	492
Mineral rights.....	44,956	41,296	377
Construction in progress.....	21,378	10,582	180
Total property and equipment, at cost.....	897,587	813,876	7,536
Less accumulated depreciation.....	359,056	326,088	3,015
Net property and equipment.....	538,531	487,788	4,521
Prepaid pension cost.....	187,531	186,105	1,574
Deferred tax assets, non-current.....	12,942	47,365	109
Other assets.....	185,129	155,876	1,554
Total.....	¥ 5,446,231	¥ 4,797,013	\$ 45,724

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 December 31, 2006 and March 31, 2006

Liabilities and Stockholders' Equity	Millions of Yen		Millions of U.S. dollars
	Dec. 2006	Mar. 2006	Dec. 2006
Current liabilities:			
Short-term debt.....	¥ 442,855	¥ 382,434	\$ 3,718
Current maturities of long-term debt.....	130,860	173,097	1,099
Trade payables:			
Notes and acceptances.....	184,920	156,395	1,552
Accounts.....	1,252,186	921,797	10,513
Total trade payables.....	1,437,106	1,078,192	12,065
Due to associated companies.....	35,084	46,680	295
Accrued expenses.....	123,992	111,078	1,041
Income taxes payable.....	32,972	38,361	277
Advances from customers.....	187,293	135,790	1,572
Deferred tax liabilities.....	706	605	6
Other current liabilities.....	226,785	163,589	1,904
Total current liabilities	2,617,653	2,129,826	21,977
Long-term debt, excluding current maturities.....	1,735,748	1,762,103	14,572
Accrued retirement and severance benefits.....	25,129	19,081	211
Deferred tax liabilities, non-current.....	41,738	29,470	350
Commitments and contingent liabilities			
Minority interests.....	137,429	129,717	1,154
Stockholders' equity:			
Common stock:			
Authorized 3,000,000,000 shares;			
Issued:			
1,584,889,504 shares	202,241	202,241	1,698
Capital surplus	136,840	137,035	1,149
Retained earnings:			
Legal reserve	7,479	5,667	63
Other retained earnings	443,133	310,261	3,720
Total retained earnings	450,612	315,928	3,783
Accumulated other comprehensive income (loss):			
Foreign currency translation adjustments.....	(7,025)	(25,801)	(59)
Minimum pension liability adjustments.....	(2,060)	(2,086)	(17)
Unrealized holding gains on securities.....	109,412	97,689	918
Unrealized holding gains on derivative instruments.....	223	3,087	2
Total accumulated other comprehensive income (loss).....	100,550	72,889	844
Treasury stock, at cost.....	(1,709)	(1,277)	(14)
Total stockholders' equity.....	888,534	726,816	7,460
Total	¥ 5,446,231	¥ 4,797,013	\$ 45,724

[Explanation for Consolidated Balance Sheets]

Total assets at the end of the third quarter of fiscal year 2007 increased 649.2 billion yen to 5,446.2 billion yen (45,724 million U.S. dollars) compared with the one as of March 31, 2006, mainly in Food due to turning NIPPON ACCESS, INC. into a consolidated subsidiary (approximately 252.0 billion yen); in Machinery due to increase of Trade receivables and Inventories coming from expansion of automobile business and of additional automobile-related investment; and in Energy, Metals & Minerals and Chemicals, Forest Products & General Merchandise due to increase of Trade receivables accompanied by rising of market prices of materials/commodities.

Assets

		(Unit: billion yen)			Reasons for changes: refer to the following "Effect of turning NIPPON ACCESS, INC. into a consolidated subsidiary"
		Dec 2006	Mar 2006	Increase (Decrease)	
Cash and cash equivalents	...	435.3	477.7	(42.4)	
Time deposits	...	2.3	24.4	(22.2)	
Net trade receivables	...	1,560.4	1,211.0	349.3	Mainly increase in Machinery, Energy, Forest Products & General Merchandise, Chemicals, and Food.
Inventories	...	564.6	458.9	105.8	Mainly increase in Machinery, Aerospace, Electronics & Multimedia, Energy, Forest Products & General Merchandise and Food.
Advances to suppliers	...	167.3	121.3	46.0	Mainly increase in Machinery and Aerospace, Electronics & Multimedia
Other current assets	...	261.9	180.5	81.3	Mainly increase in Food, and Finance.
Investments in and advances to associated companies	...	658.5	619.0	39.5	Mainly increase in Equity in earnings of associated companies of this Apr.-Dec.
Other investments	...	598.9	528.4	70.5	Mainly increase in additional automobile-related investment and rise in stock prices
Net property and equipment	...	538.5	487.8	50.7	Mainly increase in Machinery, Metals, Mineral Resource & Coal and Food.
Other assets	...	185.1	155.9	29.3	Mainly increase in Machinery, Aerospace, Electronics & Multimedia and Food.

Liabilities

		(Unit: billion yen)			[Reference] Effect of turning NIPPON ACCESS, INC. into a consolidated subsidiary (Increase or decrease in main Items)
		Dec 2006	Mar 2006	Increase (Decrease)	
Total Trade payables	...	1,437.1	1,078.2	358.9	Mainly increase in Machinery, Energy, Forest Products & General Merchandise, Chemicals, and Food.
Advances from customers	...	187.3	135.8	51.5	Mainly increase in Machinery and Aerospace, Electronics & Multimedia.
Other current liabilities	...	226.8	163.6	63.2	Mainly increase in Energy and Food.
[Interest-bearing debt]					
Short-term debt	...	442.9	382.4	60.4	
Current maturities of long-term debt	...	124.8	133.2	(8.4)	
Current maturities of debentures	...	6.0	39.9	(33.9)	
Short-term total	...	573.7	555.5	18.2	
Long-term debt	...	1,470.6	1,519.7	(49.1)	
Debentures	...	182.6	160.8	21.8	
Long-term total	...	1,653.2	1,680.5	(27.3)	
Total interest-bearing debt	...	2,226.9	2,236.0	(9.1)	
SFAS 133 fair value adjustment	...	(5.1)	(9.5)	4.4	
Adjusted total interest-bearing debt	...	2,221.8	2,226.5	(4.7)	
Cash, cash equivalents and time deposits	...	437.6	502.2	(64.5)	
Net interest-bearing debt	...	1,784.2	1,724.3	59.9	
Net debt-to-equity ratio [times]	...	2.0	2.4	(0.4)	

(Unit: billion yen)	
Net trade receivables	approx. 120.0
Inventories	approx. 19.0
Other current assets	approx. 34.0
Net property and equipment	approx. 36.0
Other assets	approx. 25.0
Trade payables	approx. 188.0
Other current liabilities	approx. 15.0
Interest-bearing debt	approx. 21.0
Net interest-bearing debt	approx. 15.0

Stockholders' equity

		(Unit: billion yen)			
		Dec 2006	Mar 2006	Increase (Decrease)	
Common stock	...	202.2	202.2	-	
Capital surplus	...	136.8	137.0	(0.2)	
Retained earnings:	...	450.6	315.9	134.7	
Legal reserve	...	7.5	5.7	1.8	
Other retained earnings	...	443.1	310.3	132.9	Net income +150.5, Distribution of dividends -15.8, Transfer to legal reserve -1.8
Accumulated other comprehensive income (loss):	...	100.6	72.9	27.7	
Foreign currency translation adjustments	...	(7.0)	(25.8)	18.8	Effect of yen's depreciation
Minimum pension liability adjustments	...	(2.1)	(2.1)	0.0	
Unrealized holding gains on securities	...	109.4	97.7	11.7	Effect of rise in stock prices compared with March 31, 2006
Unrealized holding gains on derivative instruments	...	0.2	3.1	(2.9)	
Treasury stock, at cost	...	(1.7)	(1.3)	(0.4)	
Total stockholders' equity	...	888.5	726.8	161.7	
Ratio of stockholders' equity to total assets	...	16.3%	15.2%	1.2%	

[Current exchange rate Yen/US\$]

[For March closing companies]

[For December closing companies]

Dec 2006	Mar 2006	Changes	Sep 2006	Dec 2005	Changes
119.11	117.47	1.64	117.90	118.07	(0.17)
Dec 2005	Mar 2005	Changes	Sep 2005	Dec 2004	Changes
118.07	107.39	10.68	113.19	104.21	8.98

Segment Information

ITOCHU Corporation and Subsidiaries

For the nine months ended December 31, 2006 and 2005

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 nine months ended December 31, 2006 and 2005 is as follows:

For the nine months ended December 31, 2006 (April 1, 2006 -December 31, 2006)									Millions of Yen
	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	¥ 591,118	¥ 1,173,778	¥ 485,046	¥ 2,298,308	¥ 1,590,531	¥ 2,118,357	¥ 133,472	¥ 192,765	¥ 8,583,375
Transfers between operating segments ..	473	474	1,947	362	13,060	310	1,206	(17,832)	-
Total trading transactions	<u>591,591</u>	<u>1,174,252</u>	<u>486,993</u>	<u>2,298,670</u>	<u>1,603,591</u>	<u>2,118,667</u>	<u>134,678</u>	<u>174,933</u>	<u>8,583,375</u>
Gross trading profit	<u>90,405</u>	<u>64,800</u>	<u>92,579</u>	<u>80,224</u>	<u>95,941</u>	<u>192,861</u>	<u>28,161</u>	<u>16,866</u>	<u>661,837</u>
Net income	<u>11,288</u>	<u>17,222</u>	<u>7,635</u>	<u>64,994</u>	<u>20,930</u>	<u>15,466</u>	<u>2,564</u>	<u>10,412</u>	<u>150,511</u>
[Equity in earnings of associated companies].....	<u>[1,264]</u>	<u>[3,763]</u>	<u>[(1,233)]</u>	<u>[22,313]</u>	<u>[2,602]</u>	<u>[9,161]</u>	<u>[4,236]</u>	<u>[(17)]</u>	<u>[42,089]</u>
Identifiable assets at December 31, 2006..	<u>417,271</u>	<u>632,388</u>	<u>523,691</u>	<u>763,817</u>	<u>765,741</u>	<u>1,151,114</u>	<u>586,530</u>	<u>605,679</u>	<u>5,446,231</u>
For the nine months ended December 31, 2005 (April 1, 2005 -December 31, 2005)									Millions of Yen
	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	¥ 613,341	¥ 1,028,417	¥ 457,578	¥ 2,055,783	¥ 1,467,033	¥ 1,656,142	¥ 165,959	¥ 208,468	¥ 7,652,721
Transfers between operating segments ..	818	294	2,653	930	4,221	229	4,350	(13,495)	-
Total trading transactions	<u>614,159</u>	<u>1,028,711</u>	<u>460,231</u>	<u>2,056,713</u>	<u>1,471,254</u>	<u>1,656,371</u>	<u>170,309</u>	<u>194,973</u>	<u>7,652,721</u>
Gross trading profit	<u>89,044</u>	<u>50,166</u>	<u>78,650</u>	<u>55,639</u>	<u>82,279</u>	<u>109,703</u>	<u>31,846</u>	<u>25,123</u>	<u>522,450</u>
Net income	<u>10,639</u>	<u>9,476</u>	<u>9,917</u>	<u>43,407</u>	<u>14,756</u>	<u>16,252</u>	<u>8,179</u>	<u>(2,823)</u>	<u>109,803</u>
[Equity in earnings of associated companies].....	<u>[(56)]</u>	<u>[5,185]</u>	<u>[746]</u>	<u>[17,830]</u>	<u>[2,283]</u>	<u>[9,162]</u>	<u>[6,503]</u>	<u>[24]</u>	<u>[41,677]</u>
Identifiable assets at December 31, 2005..	<u>405,858</u>	<u>507,911</u>	<u>520,864</u>	<u>655,781</u>	<u>705,685</u>	<u>877,317</u>	<u>648,193</u>	<u>652,434</u>	<u>4,974,043</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 nine months ended December 31, 2006 (April 1, 2006 -December 31, 2006)									Millions of U.S.dollars
	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	\$ 4,963	\$ 9,855	\$ 4,072	\$ 19,296	\$ 13,353	\$ 17,785	\$ 1,121	\$ 1,618	\$ 72,063
Transfers between operating segments ..	4	4	17	3	110	2	10	(150)	-
Total trading transactions	<u>4,967</u>	<u>9,859</u>	<u>4,089</u>	<u>19,299</u>	<u>13,463</u>	<u>17,787</u>	<u>1,131</u>	<u>1,468</u>	<u>72,063</u>
Gross trading profit	<u>759</u>	<u>544</u>	<u>777</u>	<u>674</u>	<u>805</u>	<u>1,619</u>	<u>236</u>	<u>142</u>	<u>5,556</u>
Net income	<u>95</u>	<u>145</u>	<u>64</u>	<u>546</u>	<u>176</u>	<u>130</u>	<u>21</u>	<u>87</u>	<u>1,264</u>
[Equity in earnings of associated companies].....	<u>[11]</u>	<u>[32]</u>	<u>[(10)]</u>	<u>[187]</u>	<u>[22]</u>	<u>[77]</u>	<u>[35]</u>	<u>[(0)]</u>	<u>[354]</u>
Identifiable assets at December 31, 2006..	<u>3,503</u>	<u>5,309</u>	<u>4,397</u>	<u>6,413</u>	<u>6,429</u>	<u>9,664</u>	<u>4,924</u>	<u>5,085</u>	<u>45,724</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 in the former announced figures of Energy, Metals & Minerals segment's "Net income" for the nine months ended December 31, 2005 and "Identifiable assets at December 31, 2005".

[Explanation for Operating Segment Information]

Total trading transactions	(Unit : billion yen)		Increase		Reasons for changes
	Apr-Dec 2006	Apr-Dec 2005	(Decrease)		
Textile	591.1	613.3	(22.2)	...	Decrease mainly in midstream business transactions.
Machinery	1,173.8	1,028.4	145.4	...	Increase mainly in automobile transactions.
Aerospace, Electronics & Multimedia	485.0	457.6	27.5	...	Increase due to good performance in domestic IT-related business.
Energy, Metals & Minerals	2,298.3	2,055.8	242.5	...	Increase due to rising prices of natural resources such as crude oil and expansion of transaction volume.
Chemicals, Forest Products & General Merchandise	1,590.5	1,467.0	123.5	...	Increase due to supportive and steady trend of domestic housing material market and chemical material market.
Food	2,118.4	1,656.1	462.2	...	Increase caused by turning NIPPON ACCESS, INC. into a consolidated subsidiary.
Finance, Realty, Insurance & Logistics Services	133.5	166.0	(32.5)	...	Decrease caused by turning a logistics group company from a consolidated subsidiary into an associated company.
Other, Adjustments & Eliminations	192.8	208.5	(15.7)		
Total	8,583.4	7,652.7	930.7		
Gross trading profit	(Unit : billion yen)		Increase		Reasons for changes
	Apr-Dec 2006	Apr-Dec 2005	(Decrease)		
Textile	90.4	89.0	1.4	...	Increase due to growth of brand marketing business despite decrease in Total trading transactions.
Machinery	64.8	50.2	14.6	...	Increase due to expansion of plant project business, ship business, automobile business in Europe & U.S. and good performance in construction machinery business in North America.
Aerospace, Electronics & Multimedia	92.6	78.7	13.9	...	Increase due to good performance in domestic IT-related business.
Energy, Metals & Minerals	80.2	55.6	24.6	...	Increase due to rising price in crude oil and increase in transaction volume by expanding production scale in oil fields owned.
Chemicals, Forest Products & General Merchandise	95.9	82.3	13.7	...	Increase due to supportive and steady trend of domestic housing material market and chemical material market.
Food	192.9	109.7	83.2	...	Increase caused by turning NIPPON ACCESS, INC. into a consolidated subsidiary.
Finance, Realty, Insurance & Logistics Services	28.2	31.8	(3.7)	...	Decrease caused by turning a logistics group company into an associated company and decrease due to declining of number of condominiums delivered.
Other, Adjustments & Eliminations	16.9	25.1	(8.3)	...	Decrease due to absence of gain on disposal of a U.S. healthcare-related subsidiary in the third quarter of the previous fiscal year.
Total	661.8	522.5	139.4		
Net income	(Unit : billion yen)		Increase		Reasons for changes
	Apr-Dec 2006	Apr-Dec 2005	(Decrease)		
Textile	11.3	10.6	0.6	...	Increase due to increase of Equity in earnings of associated companies in such as brand-marketing domain.
Machinery	17.2	9.5	7.7	...	Increase in Gross trading profit, decrease in Provision for doubtful receivables and increase in Gain on disposal of investments.
Aerospace, Electronics & Multimedia	7.6	9.9	(2.3)	...	Decrease due to gain on IPO of subsidiary in the same period of the previous fiscal year and decrease in Equity in earnings of associated companies despite increase in Gross trading profit.
Energy, Metals & Minerals	65.0	43.4	21.6	...	Increase in Gross trading profit, gain on IPO of an associated company and in retroactive cumulative effect of an accounting change for stripping costs in the same period of the previous fiscal year [Refer to page 8 Note 3].
Chemicals, Forest Products & General Merchandise	20.9	14.8	6.2	...	Increase in Gross trading profit.
Food	15.5	16.3	(0.8)	...	Decrease due to Gain on disposal of investments in the same period of the previous fiscal year, despite increase in Gross trading profit.
Finance, Realty, Insurance & Logistics Services	2.6	8.2	(5.6)	...	Decrease in Gain on disposal of investments and in Equity in earnings of associated companies.
Other, Adjustments & Eliminations	10.4	(2.8)	13.2	...	Absence of loss on legal settlement by the overseas trading subsidiary in the U.S. in the same period of the previous fiscal year and recognition of gain on exchange of investment securities this period.
Total	150.5	109.8	40.7		
Identifiable assets	(Unit : billion yen)		Increase		Reasons for changes
	Dec. 2006	Mar. 2006	(Decrease)		
Textile	417.3	395.4	21.9	...	Increase in Inventories due to seasonal factors.
Machinery	632.4	489.0	143.4	...	Increase in Trade receivables and Inventories in ship business and automobile transactions and increase caused by additional automobile-related investment.
Aerospace, Electronics & Multimedia	523.7	524.7	(1.0)		
Energy, Metals & Minerals	763.8	644.4	119.4	...	Increase in Trade receivables due to depreciation of exchange rate of yen and rising crude oil price.
Chemicals, Forest Products & General Merchandise	765.7	634.3	131.4	...	Increase in Trade receivables due to high market prices.
Food	1,151.1	778.8	372.3	...	Increase caused by turning NIPPON ACCESS, INC. into a consolidated subsidiary and increase accompanied by year-end sale.
Finance, Realty, Insurance & Logistics Services	586.5	600.9	(14.3)	...	Decrease in Cash and cash equivalents in finance-related subsidiary.
Other, Adjustments & Eliminations	605.7	729.5	(123.9)	...	Decrease in Cash and cash equivalents.
Total	5,446.2	4,797.0	649.2		

Consolidated Statements of Operations [Condensed]

-Unaudited-

ITOCHU Corporation and Subsidiaries

For the three months ended December 31, 2006 and 2005 (Third quarter of fiscal 2007 and 2006)

	Millions of Yen		Millions of U.S. dollars
	Oct.-Dec. 2006	Oct.-Dec. 2005	Oct.-Dec. 2006
Revenue:			
Sales revenue.....	¥ 517,137	¥ 458,041	\$ 4,342
Trading margins and commissions on trading transactions.....	150,384	104,427	1,262
Total trading transactions :			
Oct.-Dec. 2006: 3,010,973 million yen (25,279 million U.S.dollars)			
Oct.-Dec. 2005: 2,637,592 million yen			
Total revenue.....	667,521	562,468	5,604
Cost of sales.....	(427,632)	(378,402)	(3,590)
Gross trading profit	239,889	184,066	2,014
Selling, general and administrative expenses	(171,329)	(129,003)	(1,439)
Provision for doubtful receivables.....	(750)	(9,709)	(6)
Interest income	4,097	3,105	34
Interest expense	(11,825)	(10,344)	(99)
Dividends received.....	5,597	4,477	47
Gain on disposal of investments and marketable securities, net of write-down.....	15,468	28,604	130
Gain (loss) on property and equipment-net.....	(285)	238	(2)
Other-net.....	(2,063)	(4,301)	(17)
	(161,090)	(116,933)	(1,352)
Income before income taxes, minority interests and equity in earnings of associated companies.....	78,799	67,133	662
Income taxes.....	(38,461)	(31,361)	(323)
Income before minority interests and equity in earnings of associated companies.....	40,338	35,772	339
Minority interests	(2,888)	(2,727)	(24)
Equity in earnings of associated companies	16,392	14,917	137
Net income.....	¥ 53,842	¥ 47,962	\$ 452
Comprehensive income :			
Net income.....	¥ 53,842	¥ 47,962	\$ 452
Other comprehensive income (net of tax):			
Net change in foreign currency translation adjustments during the period.....	17,692	10,656	149
Minimum pension liability adjustments.....	(68)	25	(1)
Net change in unrealized holding gains on securities during the period.....	33,039	20,269	277
Net change in unrealized holding gains (losses) on derivative instruments during the period.....	1,155	(3,034)	10
Total other comprehensive income (net of tax).....	51,818	27,916	435
Total.....	¥ 105,660	¥ 75,878	\$ 887

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.

Segment Information

ITOCHU Corporation and Subsidiaries

For the three months ended December 31, 2006 and 2005 (Third quarter of fiscal 2007 and 2006)

Information concerning operations in different operating segments for the third quarter of fiscal 2007 and 2006 is as follows:

For the third quarter of fiscal 2007 (October 1, 2006 -December 31, 2006)									Millions of Yen
	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	¥ 205,661	¥ 391,918	¥ 158,747	¥ 784,980	¥ 556,441	¥ 804,222	¥ 41,424	¥ 67,580	¥ 3,010,973
Transfers between operating segments	154	125	83	121	4,311	104	256	(5,154)	-
Total trading transactions	<u>205,815</u>	<u>392,043</u>	<u>158,830</u>	<u>785,101</u>	<u>560,752</u>	<u>804,326</u>	<u>41,680</u>	<u>62,426</u>	<u>3,010,973</u>
Gross trading profit	<u>31,704</u>	<u>21,994</u>	<u>31,501</u>	<u>31,637</u>	<u>33,253</u>	<u>77,076</u>	<u>8,252</u>	<u>4,472</u>	<u>239,889</u>
Net income	<u>4,933</u>	<u>5,728</u>	<u>1,352</u>	<u>29,293</u>	<u>7,500</u>	<u>4,853</u>	<u>(501)</u>	<u>684</u>	<u>53,842</u>
[Equity in earnings of associated companies].....	<u>[1,081]</u>	<u>[1,036]</u>	<u>[(177)]</u>	<u>[8,145]</u>	<u>[1,261]</u>	<u>[3,470]</u>	<u>[1,588]</u>	<u>[(12)]</u>	<u>[16,392]</u>
Identifiable assets at December 31, 2006....	<u>417,271</u>	<u>632,388</u>	<u>523,691</u>	<u>763,817</u>	<u>765,741</u>	<u>1,151,114</u>	<u>586,530</u>	<u>605,679</u>	<u>5,446,231</u>

For the third quarter of fiscal 2006 (October 1, 2005 -December 31, 2005)									Millions of Yen
	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	¥ 206,766	¥ 324,051	¥ 156,812	¥ 748,086	¥ 517,304	¥ 560,322	¥ 49,864	¥ 74,387	¥ 2,637,592
Transfers between operating segments	239	114	1,051	222	1,477	80	1,397	(4,580)	-
Total trading transactions	<u>207,005</u>	<u>324,165</u>	<u>157,863</u>	<u>748,308</u>	<u>518,781</u>	<u>560,402</u>	<u>51,261</u>	<u>69,807</u>	<u>2,637,592</u>
Gross trading profit	<u>29,724</u>	<u>17,932</u>	<u>26,961</u>	<u>22,491</u>	<u>29,384</u>	<u>37,366</u>	<u>10,997</u>	<u>9,211</u>	<u>184,066</u>
Net income	<u>3,329</u>	<u>3,513</u>	<u>4,045</u>	<u>18,069</u>	<u>6,021</u>	<u>6,671</u>	<u>3,501</u>	<u>2,813</u>	<u>47,962</u>
[Equity in earnings of associated companies].....	<u>[(328)]</u>	<u>[2,181]</u>	<u>[259]</u>	<u>[5,733]</u>	<u>[1,049]</u>	<u>[3,458]</u>	<u>[2,649]</u>	<u>[(84)]</u>	<u>[14,917]</u>
Identifiable assets at December 31, 2005....	<u>405,858</u>	<u>507,911</u>	<u>520,864</u>	<u>655,781</u>	<u>705,685</u>	<u>877,317</u>	<u>648,193</u>	<u>652,434</u>	<u>4,974,043</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 third quarter of fiscal 2007 (October 1, 2006 -December 31, 2006)									Millions of U.S.dollars
	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	\$ 1,727	\$ 3,290	\$ 1,333	\$ 6,590	\$ 4,672	\$ 6,752	\$ 348	\$ 567	\$ 25,279
Transfers between operating segments	1	1	1	1	36	1	2	(43)	-
Total trading transactions	<u>1,728</u>	<u>3,291</u>	<u>1,334</u>	<u>6,591</u>	<u>4,708</u>	<u>6,753</u>	<u>350</u>	<u>524</u>	<u>25,279</u>
Gross trading profit	<u>266</u>	<u>185</u>	<u>264</u>	<u>266</u>	<u>279</u>	<u>647</u>	<u>69</u>	<u>38</u>	<u>2,014</u>
Net income	<u>41</u>	<u>48</u>	<u>11</u>	<u>246</u>	<u>63</u>	<u>41</u>	<u>(4)</u>	<u>6</u>	<u>452</u>
[Equity in earnings of associated companies].....	<u>[9]</u>	<u>[9]</u>	<u>[(2)]</u>	<u>[68]</u>	<u>[11]</u>	<u>[29]</u>	<u>[13]</u>	<u>[(0)]</u>	<u>[137]</u>
Identifiable assets at December 31, 2006....	<u>3,503</u>	<u>5,309</u>	<u>4,397</u>	<u>6,413</u>	<u>6,429</u>	<u>9,664</u>	<u>4,924</u>	<u>5,085</u>	<u>45,724</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 in the former announced figures of Energy, Metals & Minerals segment's "Identifiable assets at December 31, 2005".