

# Highlights of Consolidated Financial Results for the 1st-3rd Quarters (Apr.-Dec.) of FY 2007 (U.S. GAAP)

**Financial topics for the 1st-3rd Quarters of FY 2007** [According to early adoption of accounting change in FY2006, cumulative effect is reflected retroactively (please refer to the lower right)](\*)

- Net income- Increased ¥40.7bil or 1.4times to ¥150.5bil vs the prev 1Q-3Q. Achieved the highest-ever 1Q-3Q Net income for the 3rd consecutive year & Exceeded even the 'annual' record high. Renewed other 4 record highs of Gr. trading profit, Income before tax, Equity in earnings of assoc co and Adjusted profit. Quarterly Net income (¥53.8bil), exceeded ¥50.0bil for the first time.
- Net income by Segment -Energy, Metals & Minerals achieved ¥65.0bil, Chem., FP & GM ¥20.9bil, Machinery (¥17.2bil), Food (¥15.5bil), and Textile (¥11.3bil) exceeded ¥10.0bil.
- Marked the highest-ever Net income of both of Parent (¥62.0 bil) and Group co.total (¥114.9 bil). Net income for overseas trading subsidiaries (¥15.9 bil) much improved as well.
- Stockholders' equity -Increased ¥161.7bil to highest-ever ¥888.5bil vs the end of last FY. NET DER 2.0 times, improved 0.4 points Financial structure steadily being strengthened.

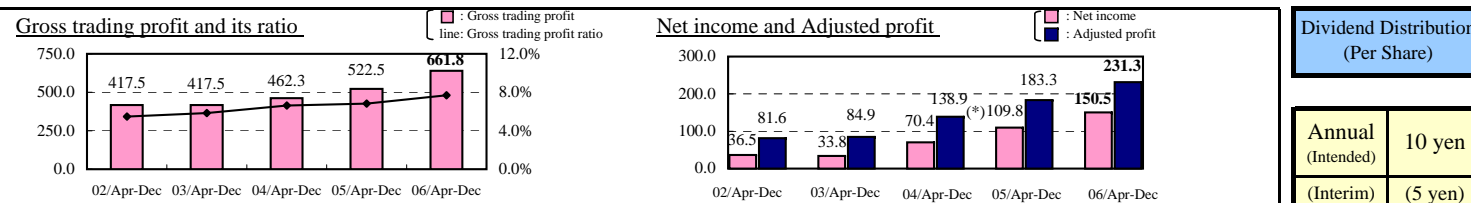
Consolidated Financial Results of Operations	Apr.-Dec. 2006	Apr.-Dec. 2005	Increase (Decrease)		Summary of changes from the same period of the previous fiscal year	Outlook for FY2007 (Announced on Oct. 30)
				%		

Revenue	1,901.0	1,601.3	299.8	19%	<p><b>Revenue:</b> Incr. due to Automobile transaction, energy dev., FP &amp; GM., and turning NIPPON ACCESS, INC. into a consolid. subs.</p> <p><b>Gross trading profit: (Increase fields/bus.)</b> Please refer to "Operating Segment Information"</p> <p><b>Textile /Incr:</b> Brand-related business</p> <p><b>Mach. /Incr:</b> Plant, Ship, Automobile(EUR/US), Const. Mach.(US)</p> <p><b>Aero, Elec. &amp; MltiMd /Incr:</b> Domestic IT-related business</p> <p><b>Ener.Met. /Incr:</b> Higher price in crude oil and expanding crude oil production scale</p> <p><b>Chem., FP &amp; GM /Incr:</b> Building materials(JP), and continuous high market prices of chemicals</p> <p><b>Food /Incr:</b> Turning NIPPON ACCESS, INC. into a consolid. subs.</p> <p><b>Fin. Rlty, Insur.&amp;LS /Decr:</b> Turning a logistics group company into an associated company</p> <p><b>SG&amp;A:</b> Increase from turning NIPPON ACCESS, INC. into a consolid. subs. and business expansion</p> <p><b>Provision for doubtful receivables:</b> Apr-Dec 2005: Loss on Iraq receivables -10.1</p> <p><b>Net financial expenses: (i+ii) [Incr/Decr]</b> (i)Net interest exp. -1.9 (Interest rates rise) (ii)LNG-related +1.5</p> <p><b>Gain on disposal inv.&amp; sec.:</b> [Incr/Decr] Gains on exchange +3.5, Devaluation losses -1.0, Sales and others -10.8</p> <p><b>Loss on property and equip.:</b> [Incr/Decr] Sales -1.6, Impairment losses and others +1.0</p> <p><b>Other-net:</b> Apr-Dec 2005: Legal settlement -19.5 (Overseas trading subsidiary in the U.S.)</p> <p><b>Equity in earnings of assoc.co.s:</b> Good performance in international petroleum products trading (Chemoil Energy Limited +1.7)</p> <p><b>Cumulative effect of an accounting change:</b> Apr-Dec 2005: Please refer to the lower right (*)</p>
Gross trading profit	661.8	522.5	139.4	27%	
Selling, general and administrative expenses	(466.7)	(374.6)	(92.1)	25%	
Provision for doubtful receivables	(3.8)	(13.2)	9.4	(71%)	
Interest income	12.1	9.6	2.4	25%	
Interest expense	(33.6)	(29.2)	(4.4)	15%	
Dividends received	15.6	13.3	2.3	17%	
Gain on disposal of investments and marketable securities, net of write-down	30.1	38.4	(8.3)	-	
Loss on property and equipment-net	(1.1)	(0.5)	(0.6)	-	
Other-net	2.0	(16.0)	18.0	-	
Total other expenses	(445.4)	(372.2)	(73.2)	20%	
Income before income taxes	216.5	150.3	66.2	44%	
Income taxes	(99.1)	(70.8)	(28.4)	40%	
Income after income taxes	117.3	79.5	37.8	48%	
Minority interests	(8.9)	(7.9)	(1.0)	12%	
Equity in earnings of associated companies	42.1	41.7	0.4	1%	
Income before cumulative effect of an accounting change	150.5	(*) 113.2	37.3	33%	
Cumulative effect of an accounting change	-	(*) (3.4)	3.4	-	
Net income	150.5	(*) 109.8	40.7	37%	

(Accordance with Japanese accounting practice)				
Total trading transactions	8,583.4	7,652.7	930.7	12%
Gross trading profit ratio	7.7%	6.8%	0.9%	

Adjusted profit	231.3	183.3	48.1	26%
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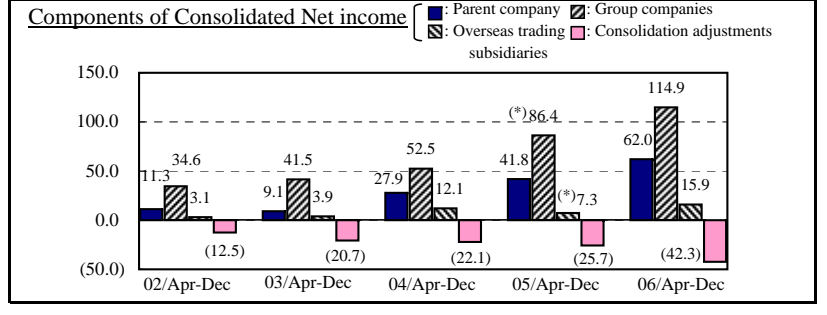
Adjusted profit = Gross trading profit + SG&A expenses + Net financial expenses + Equity in earnings of associated companies



Operating Segment Information	Gross trading profit (Note 1)			Net income			[Net income] Summary of changes from the same period of the previous fiscal year (Note 1) Please refer to summary of changes from the same period of the previous fiscal year in "Consolidated Financial Results of Operations"
	Apr.-Dec. 2006	Apr.-Dec. 2005	Increase (Decrease)	Apr.-Dec. 2006	Apr.-Dec. 2005	Increase (Decrease)	
Textile	90.4	89.0	1.4	11.3	10.6	0.6	Increase due to increase of Equity in earnings of associated companies in such as brand-marketing domain
Machinery	64.8	50.2	14.6	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	92.6	78.7	13.9	7.6	9.9	(2.3)	Decr. due to gain on IPO of subs. in the same period of the prev. FY, and decr. in Equity in earnings of assoc. co. despite incr. in Gr. trading profit
Energy, Metals & Minerals	80.2	55.6	24.6	65.0	(*) 43.4	21.6	Increase in Gross trading profit, gain on IPO of an associated company and in retroactive cumulative effect of the lower right (*)
Chemicals, Forest Products & General Merchandise	95.9	82.3	13.7	20.9	14.8	6.2	Increase in Gross trading profit
Food	192.9	109.7	83.2	15.5	16.3	(0.8)	Decrease due to Gain on disposal of investment in the same period of the previous fiscal year, despite increase in Gross trading profit
Finance, Realty, Insurance & Logistics Services	28.2	31.8	(3.7)	2.6	8.2	(5.6)	Decrease in Gain on disposal of investment and in Equity in earnings of associated companies
Other, Adjustments & Eliminations	16.9	25.1	(8.3)	10.4	(2.8)	13.2	Absence of loss on legal settlement by the overseas trading subs. in the U.S. in the same period of the prev. FY, and recognition of gain on ex. of invest. sec. this period
<b>Total</b>	<b>661.8</b>	<b>522.5</b>	<b>139.4</b>	<b>150.5</b>	<b>(*) 109.8</b>	<b>40.7</b>	

Components of Consolidated Net Income	Apr.-Dec. 2006	Apr.-Dec. 2005	Increase (Decrease)
Parent company	62.0	41.8	20.2
Group companies	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

(Unit: billion yen)



Share of Group Companies Reporting Profits	December 31 2006	December 31 2005	Increase (Decrease)
Share of group co. reporting profits	80.1%	79.8%	0.3%
Number of group co. reporting profits	541	542	(1)
Number of group co. reporting losses	134	137	(3)
Total	675	679	(4)

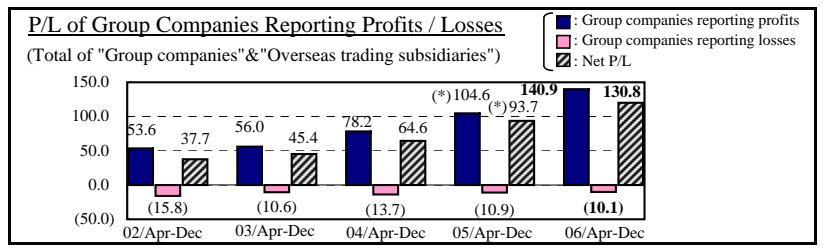
Group Companies	Apr.-Dec. 2006	Apr.-Dec. 2005	Summary of changes from the same period of the previous fiscal year
ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA) (S)	22.4 (*)	19.0	Higher prices in iron ore and effect of an acct. change in stripping costs in the prev. FY despite price down in coal
ITOCHU Oil Exploration (Azerbaijan) Inc. (S)	17.2	3.0	Increase in sales volume by expanding crude oil production scale and higher crude oil price
Marubeni-Itochu Steel Inc. (A)	14.1	13.2	Generally continuous good results supported by steady steel demands
ITOCHU International Inc. (Note 2) (S)	9.6	2.0	Steady growth in group co. and absence of the loss on legal settle. and gain on sales of sec.
PrimeSource Building Products, Inc. (S)	5.4	4.8	Slight increase despite decrease in number of housing starts in the U.S.
On Demand TV, Inc. (Note 3) (A)	(1.4)	(0.9)	Prior expenses incr. to obtain more customers
ITOCHU Property Development, Ltd. (S)	(1.2)	0.0	Decrease of deliveries compared with the same period of prev. FY

(Major Group Companies Reporting Profits) (S):Subsidiary, (A):Associated company (Unit: billion yen, (loss))

(Major Group Companies Reporting Losses) (Note 2) Including net income (80%) of PrimeSource Building Products, Inc. (Note 3) Turning a subsidiary into an assoc. co. this period

P/L of Group Companies Reporting Profits / Losses	Apr.-Dec. 2006	Apr.-Dec. 2005	Increase (Decrease)
Group co. reporting profits	140.9 (*)	104.6	36.3
Group co. reporting losses	(10.1)	(10.9)	0.8
Total	130.8 (*)	93.7	37.1

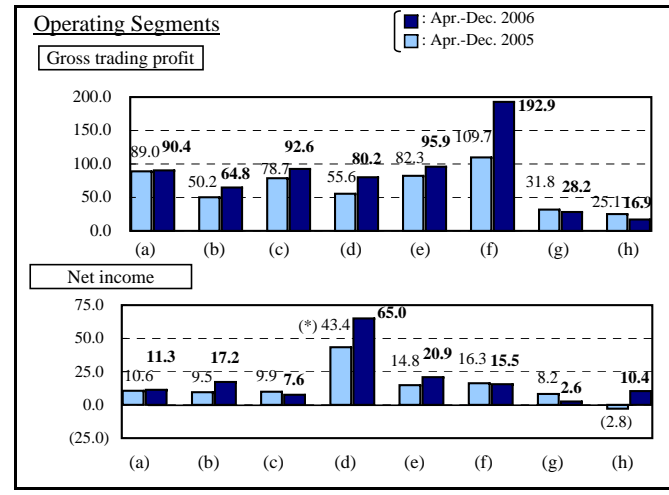
(Unit: billion yen, (losses))



Financial Position	December 31 2006	March 31 2006	Increase (Decrease)
Total assets	5,446.2	4,797.0	649.2
Interest-bearing debt	2,221.8	2,226.5	(4.7)
Net interest-bearing debt	1,784.2	1,724.3	59.9
Stockholders' equity	888.5	726.8	161.7
Net debt-to-equity ratio (times)	2.0	2.4	Improve 0.4

(Unit: billion yen)

Summary of changes from the previous fiscal year end				Outlook for March 31, 2007 (Announced on Oct. 30)
Total assets:	Incr. mainly in Food due to turning NIPPON ACCESS, INC. into a consolid. subs. (approx. ¥252.0 bil); in Mach. due to incr. of Trade receivables and Inventories coming from expansion of automobile business and of additional automobile-related invest.; and in Ener., Met. and Chem., FP & GM due to incr. of Trade receivables accompanied by rising of market prices of materials/commodities.			5,300.0
Interest-bearing debt:	Stockholders' equity: Incr. due to accumulation of Net income, improve. of Foreign currency translation adjust. brought by depreciation of yen, and incr. of Unrealized holding gains on sec. due to rising of stock prices etc. despite distribution of dividends. Ratio of stockholders' equity improved by 1.2 points to 16.3%. NET DER: Improved by 0.4 points to 2.0 times due to increase in stockholders' equity.			2,350.0
Net interest-bearing debt:				1,950.0
Stockholders' equity:				850.0
Net debt-to-equity ratio (times):				2.3



Major Indicators		Apr.-Dec. 2006	Apr.-Dec. 2005	Changes
Foreign exchange [Mar. closing]	Yen/US\$, average (Apr.-Dec.)	116.49	110.64	5.85
	Yen/US\$, at the end of the period	Dec.06 119.11	Mar.06 117.47	1.64
Foreign exchange [Dec. closing]	Yen/US\$, average (Jan.-Sep.)	116.21	107.05	9.16
	Yen/US\$, at the end of the period	Sep.06 117.90	Dec.05 118.07	(0.17)
Interest, TIBOR ¥3M, average(Apr.-Dec.)		0.377%	0.087%	0.290%
Interest, LIBOR US\$3M, average(Jan.-Sep.)		5.139%	3.310%	1.829%
Crude oil (Brent), average (US\$/BBL)	(Apr.-Dec.)	67.23	57.48	9.75
	(Jan.-Sep.)	67.90	54.17	13.73

(\*)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.