

# Highlights of Consolidated Financial Results for the First Half of FY 2007 (U.S. GAAP)

**Financial topics for the First Half 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 incr. by ¥34.8 bil. or 1.6 times to ¥96.7 bil. compared with the prev. 1st Half. Achieved the highest-ever 1H Net income for the 2nd consecutive year, with renewed record highs for 1H in total 4 items incl. Gr. trading profit (2nd straight yr), Income before tax, and Adjusted profit(3rd straight yr). Quarterly Net income ¥48.5 bil. for this 2Q is the highest, surpassed the 1Q ¥48.1 bil.
- Net income of Energy, Metals & Minerals segment incr. by 1.4 times to ¥35.7 bil. compared with the prev. 1H, also with more than ¥10.0 bil. of Net income for Mach., Chem., FP&GM, and Food.
- Marked the highest-ever Net income for both Parent and Group co. of all 1Hs for 3rd straight year, also with ¥10.0 bil. for overseas subs. Profit expansion achieved in both Parent and Group co.
- Stockholders' equity increased by ¥64.3 bil. to highest-ever ¥791.1 bil. compared with the end of the last FY. NET DER showed 2.2 times, 0.2 points improved.

Consolidated Financial Results of Operations	1st Half FY 2007	1st Half FY 2006	Increase (Decrease)		Summary of changes from the same period of the previous fiscal year	Outlook for FY2007		The previous outlook	
			Amount	%		Amount	Progress(%)	FY2007 (Apr.28)	Increase (Decrease)

Revenue	1,233.5	1,038.8	194.7	18.7
Gross trading profit	421.9	338.4	83.6	24.7
Selling, general and administrative expenses	(295.4)	(245.6)	(49.8)	20.3
Provision for doubtful receivables	(3.0)	(3.5)	0.5	(13.7)
Interest income	8.0	6.5	1.4	21.9
Interest expense (i)	(21.7)	(18.8)	(2.9)	15.3
Dividends received (ii)	10.0	8.8	1.2	13.4
Gain on disposal of investments and marketable securities, net of write-down	14.6	9.7	4.9	50.1
Loss on property and equipment-net	(0.8)	(0.7)	(0.1)	-
Other-net (iii)	4.0	(11.7)	15.7	-
Total other expenses	(284.3)	(255.2)	(29.0)	11.4
Income from operations before income taxes	137.7	83.1	54.5	65.6
Income taxes	(60.7)	(39.4)	(21.3)	54.0
Income from operations	77.0	43.7	33.3	76.0
Minority interests	(6.0)	(5.2)	(0.8)	15.3
Equity in earnings of associated companies	25.7	26.8	(1.1)	(4.0)
Income before cumulative effect of an accounting change	96.7	65.3	31.4	48.1
Cumulative effect of an accounting change	-	(3.4)	3.4	-
Net income	96.7	61.8	34.8	56.3

**Revenue:** Incr. due to energy dev., FP & GM., and turning NIPPON ACCESS, INC. into a consolid. subs.

**Gross trading profit: (Increase fields/bus.)** Textile/Decr: Up/midstream despite incr. in brand-related bus. Mach./Incr: Plant, Ship, Automobile(ERP/US), Const. Mach.(US) Aero. Elec. & MltiMd/Incr Domestic IT industry-related bus. Ener.Met./Incr: Higher price in crude oil and expanding crude oil production scale Chem., FP & GM/Incr: Building materials (NA/JP), Chems. subs.(JP) Food/Incr: Turning NIPPON ACCESS, INC. into a consolid. subs. Fin. Rlty. Insur.&LS/Decr: Logistics subs. turned into assoc. co.

**SG&A:** Incr. from bus. expansion and turning NIPPON ACCESS, INC. into a consolid. subs.

**Provision for doubtful receivables:** Almost same amount as the prev. 1H, collection of receivables

**Net financial expenses: (i+ii) [Incr/(Decr)]** (i) Net interest exp. -1.5 (Mainly a rise in U.S. interest rates) (ii) Dividends received +1.2 (LNG-related +1.0)

**Gain on disposal inv. & sec.: [Incr/(Decr)]** Sales +3.4, Gains on exchange +3.5

**Loss on property and equip.: [Incr/(Decr)]** Sales -1.3, Impairment losses and others +1.3

**Other-net:** FY2006/1H: Legal settlement -19.5 (U.S. subsidiary)

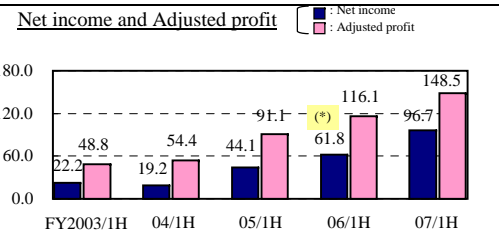
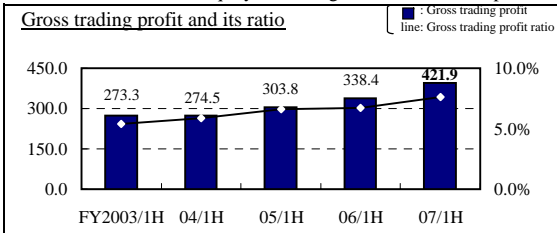
**Equity in earnings of assoc.co.s:** Low performance in some of domestic assoc. companies

**Cumulative effect of an accounting change:** FY06/1H: Please refer to the lower right

Outlook for FY2007	Amount	Progress(%)	The previous outlook	Amount	Increase (Decrease)
Revenue	900.0	46.9	Revenue	760.0	140.0
Gross trading profit	(645.0)	45.8	Gross trading profit	(525.0)	(120.0)
SG&A	(650.0)	43.7	SG&A	(534.0)	(116.0)
Net income	171.0	56.5	Net income	155.0	16.0

(Accordance with Japanese accounting practice)				
Total trading transactions	5,572.4	5,015.1	557.3	11.1
Gross trading profit ratio	7.6%	6.7%	0.8%	

Adjusted profit	148.5	116.1	32.5	28.0
Adjusted profit = Gross trading profit + SG&A expenses + Net financial expenses + Equity in earnings of associated companies				



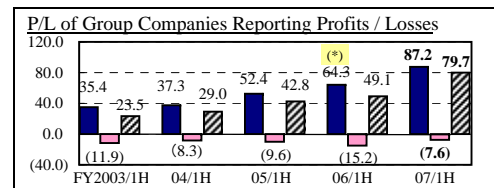
Outlook for FY2007		The Previous Outlook	
Dividend Distribution (Per Share)	10 yen	Dividend Distribution (Per Share)	10 yen
Annual (Intended)	10 yen	Annual (Intended)	10 yen
(Interim)	(5 yen)	(Interim)	(5 yen)

Operating Segment Information	Gross trading profit(**)			Net income			[Net income] Summary of changes from the same period of the previous fiscal year
	1st Half FY 2007	1st Half FY 2006	Increase (Decrease)	1st Half FY 2007	1st Half FY 2006	Increase (Decrease)	
Textile	58.7	59.3	(0.6)	6.4	7.3	(1.0)	(a) Decrease due to the absence of gains on sales of investment securities in the same period of the previous fiscal year.
Machinery	42.8	32.2	10.6	11.5	6.0	5.5	(b) Increase in gains on sales of investment securities and gross trading profit despite increase in SG&A.
Aerospace, Electronics & Multimedia	61.1	51.7	9.4	6.3	5.9	0.4	(c) Increase in gross trading profit despite decrease in equity in earnings of associated companies.
Energy, Metals & Minerals	48.6	33.1	15.4	35.7	(*) 25.3	10.4	(d) Increase in gross trading profit and retroactive effect of an accounting change for stripping costs in the first half of the previous fiscal year.
Chemicals, Forest Products & General Merchandise	62.7	52.9	9.8	13.4	8.7	4.7	(e) Increase in gross trading profit despite increase in SG&A.
Food	115.8	72.3	43.4	10.6	9.6	1.0	(f) Increase due to turning NIPPON ACCESS, INC. into a consolidated subsidiary.
Finance, Realty, Insurance & Logistics Services	19.9	20.8	(0.9)	3.1	4.7	(1.6)	(g) Decrease in equity in earnings of associated companies.
Other, Adjustments & Eliminations	12.4	15.9	(3.5)	9.7	(5.6)	15.4	(h) Incr. in gains on exchange of invest. securities, in addition to the absence of the loss on legal settlement of an overseas trading subs. in the U.S. in the same period of the prev. FY.
<b>Total</b>	<b>421.9</b>	<b>338.4</b>	<b>83.6</b>	<b>96.7</b>	<b>(*) 61.8</b>	<b>34.8</b>	

Components of Consolidated Net Income	1st Half FY 2007	1st Half FY 2006	Increase (Decrease)
Parent company	39.1	30.0	9.0
Group companies	69.7	(*) 52.9	16.8
Overseas trading subsidiaries	10.0	(*) (3.8)	13.7
Subtotal	118.7	79.2	39.6
Consolidation adjustments	(22.1)	(17.3)	(4.7)
Consolidated net income	96.7	(*) 61.8	34.8

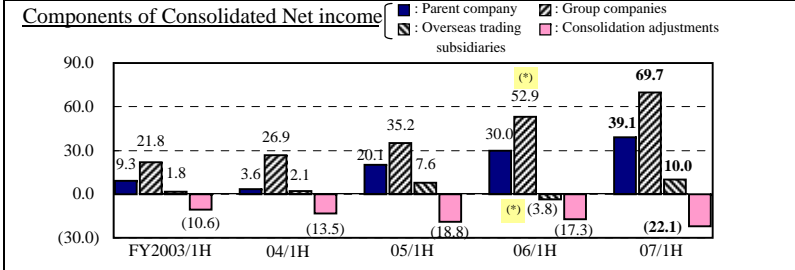
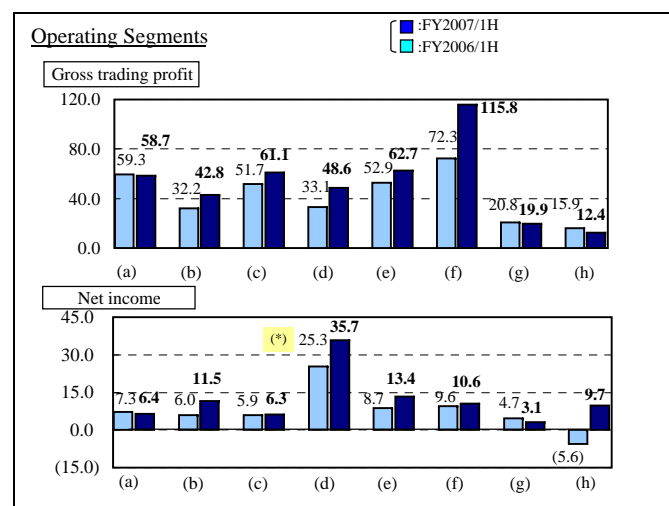
Share of Group Companies Reporting Profits	September 30 2006	September 30 2005	Increase (Decrease)
Share of group co. reporting profits	78.5%	79.1%	(0.6%)
Number of group co. reporting profits	525	534	(9)
Number of group co.	669	675	(6)

P/L of Group Companies Reporting Profits / Losses	1st Half FY 2007	1st Half FY 2006	Increase (Decrease)
Group co. reporting profits	87.2	(*) 64.3	23.0
[Group co. excl. Overseas trading subs.]	[76.6]	[60.4]	[16.3]
Group co. reporting losses	(7.6)	(15.2)	7.6
[Group co. excl. Overseas trading subs.]	[(6.9)]	[(7.5)]	[0.5]
Total	79.7	(*) 49.1	30.5



Financial Position	September 30 2006	March 31 2006	Increase (Decrease)
Total assets	5,206.4	4,797.0	409.3
Interest-bearing debt	2,192.6	2,226.5	(33.9)
Net interest-bearing debt	1,751.5	1,724.3	27.2
Stockholders' equity	791.1	726.8	64.3
Net debt-to-equity ratio (times)	2.2	2.4	Improve 0.2

Cash Flow	1st Half FY2007	1st Half FY2006	Increase (Decrease)
CF from operating activities	69.6	40.6	29.0
CF from investing activities	(57.5)	(80.1)	22.6
CF from financing activities	(61.0)	18.3	(79.3)
Cash and cash equivalents	429.0	434.6	



Group Companies	1st Half FY 2007	1st Half FY 2006	Summary of changes from the same period of the previous fiscal year
ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA)	13.8	(*) 11.4	Incr. due to higher prices in iron ore and effect of an acct. change in stripping costs in the prev. 1H despite price down in coal
ITOCHU Oil Exploration (Azerbaijan) Inc.	10.3	1.2	Increase in sales volume by expanding crude oil production scale and higher crude oil price
Marubeni-Itochu Steel Inc.	9.2	9.5	Generally continuous good results supported by steady steel demand
ITOCHU International Inc.	6.2	(7.2)	Steady growth in group companies and increase due to the loss on legal settlement in the same period of the previous 1H
Prime Source Building Products, Inc.	3.6	2.9	Continuously steady growth
FamilyMart Co., Ltd.	3.0	2.9	Almost the same as the prev. 1H
ITOCHU TECHNO-SCIENCE Corporation	2.6	1.9	Increase due to good performance in IT, finance, and enterprise sectors
Cheoil Energy Limited	2.1	0.8	Good perform. in trans. of bunker oil in Panama
ITOCHU Kenzai Corp.	1.5	0.6	Incr. due to improved perform. of subs. and favorable material market conditions
CIECO Energy (UK) Limited	1.4	(0.2)	Newly consolidated in 2Q of the prev. FY, incr. due to higher oil price
On Demand TV, Inc.	(0.9)	(0.5)	Prior expenses incr. to obtain more customers
C.I. Finance (CAYMAN) LTD	(0.6)	0.0	Due to worsened fund business profit
ITOCHU Europe PLC.	(0.4)	(0.2)	Low performance in textiles and food

Summary of changes from the previous fiscal year end		Outlook for March 31 2007	
Amount	Change	New	Previous
Total assets	Incr. in trade receivables from trans. incr. along with rising market prices in FP & GM, Chem. and additional incr. due to turning NIPPON ACCESS, INC. into a consolid. subs. (approx. ¥246.0 bil.) though decr. in Cash and cash equivalents and Time deposits.	5,300.0	5,200.0
Interest-bearing debt	Decr. in cash and cash equivalents and Time deposits.	2,350.0	2,350.0
Net interest-bearing debt		1,950.0	1,950.0
Stockholders' equity	Incr. due to accumulation of Net income, though decr. in Unrealized holding gains on securities accompanied by decline in stock market prices compared with March 31, 2006 and due to dividend payment.	850.0	850.0
NET DER	Improved by 0.2 point compared with March 31, 2006, to 2.2 times.	2.3	2.3

Condition of Cash Flow for the First Half of FY 2007			
CF from operating acts:	Net inflow due to good results in operating revenue from overseas resource business.		
CF from investing acts:	Net outflow due to investments in ISUZU MOTORS LIMITED & NIPPON ACCESS, INC.		
CF from financing acts:	Net outflow due to continuous efforts to reduce interest-bearing debt.		
Cash and cash equivalents:	Decreased by 48.7 compared with Mar. 31, 2006.		

Major Indicators	1st Half FY 2007	1st Half FY 2006	Changes
Foreign exchange [Mar. closing]	Yen/US\$, average (Apr.-Sep.) 115.70	108.48	7.22
Foreign exchange [Dec. closing]	Yen/US\$, at the end of the period Sep.06 117.90	Mar.06 117.47	0.43
Interest, TIBOR ¥3M, average(Apr.-Sep.)	0.324%	0.085%	0.239%
Interest, LIBOR US\$3M, average(Jan.-Jun.)	4.989%	3.067%	1.922%
Crude oil (Brent), average (Apr.-Sep.) (US\$/BBL)	70.52	57.32	13.20
	(Jan.-Jun.) 66.55	50.34	16.21

(\*) 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 in the first half of fiscal year 2006.