

1st half FY 2007 **Business Results**

November 6, 2006

ITOCHU Corporation

Eizo Kobayashi President and CEO

Forward-Looking Statements:

This material contains forward-looking statements regarding ITOCHU Corporation's corporate plans, strategies, forecasts, and other statements that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which ITOCHU Corporation operates. As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, including without limitation, changes in economic conditions; fluctuations in currency exchange rates; changes in the competitive environment; the outcome of pending and future litigation; and the continued availability of financing, financial instruments and financial resources, they may cause actual results to differ materially from those presented in such forward-looking statements. ITOCHU Corporation, therefore, wishes to caution that readers should not place undue reliance on forward-looking statements, and, further that ITOCHU Corporation undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.

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1. Financial Highlights

1) Expanding Earnings

- Record high 1st half net income for 2 consecutive years
- Record high 1st half for 5 major profit items
- Net income exceeds 10 billion yen in 4 business segments

*To Accelerate the
“Shift to Aggressive Business”*

2) Further Improvement of Financial Position

- NET DER :2.2 times (0.2 point improvement)

*To Continue the
“Enhancement Solid Management”*

■ Record high 1st half for 5 major profit items

(Unit : Billions of Yen)	1st half FY2007	1st half FY2006	Rate of profit increase	Forecast FY2007(original)	Rate of progress
Gross trading profit	421.9	338.4	<i>24.7%</i>	760.0	<i>55.5%</i>
Operating income	123.6	89.3	<i>38.4%</i>	225.0	<i>54.9%</i>
Income before income taxes, minority interests, equity in earning of associated companies	137.7	83.1	<i>65.6%</i>	226.0	<i>60.9%</i>
Equity in earnings of associate companies	25.7	26.8	<i>-4.0%</i>	54.0	<i>47.6%</i>
Net income (consolidated)	96.7	※ 61.8	<i>56.3%</i>	155.0	<i>62.4%</i>
Adjusted profit	148.5	116.1	<i>28.0%</i>	273.0	<i>54.4%</i>
Net income (Non-consolidated)	39.1	30.0	<i>30.0%</i>		
Profits/Losses of Group companies	69.7	※ 52.9	<i>31.8%</i>		

※After the retroactive adjustment in accordance with early adoption of “Accounting for Stripping Costs Incurred during Production in the Mining Industry” in FY2006

■ 5 business segments posted increases in gross trading profits

(Unit : Billions of Yen)	1st half FY2007	1st half FY2006	Difference
Textile	58.7	59.3	△ 0.6
Machinery	42.8	32.2	+ 10.6
Aerospace, Electronics & Multimedia	61.1	51.7	+ 9.4
Energy, Metal & Minerals	48.6	33.1	+ 15.4
Chemicals, Forest Products & General Merchandise	62.7	52.9	+ 9.8
Food	115.8	72.3	+ 43.4
Finance, Realty, Insurance & Logistic Services	19.9	20.8	△ 0.9

■ 4 business segments posted a net income more than 10 billion yen

(Unit : Billions of Yen)	1st half FY2007	1st half FY2006	Difference
Textile	6.4	7.3	△ 1.0
Machinery	11.5	6.0	+ 5.5
Aerospace, Electronics & Multimedia	6.3	5.9	+ 0.4
Energy, Metal & Minerals	35.7	※ 25.3	+ 10.4
Chemicals, Forest Products & General Merchandise	13.4	8.7	+ 4.7
Food	10.6	9.6	+ 1.0
Finance, Realty, Insurance & Logistic Services	3.1	4.7	△ 1.6

※After the retroactive adjustment in accordance with early adoption of “Accounting for Stripping Costs Incurred during Production in the Mining Industry” in FY2006

■ Net debt to equity ratio improved by 0.2 points to 2.2 times

(Unit : Billions of Yen)	1st half FY2007	full year FY2006	Difference	Forecast FY2007(original)
Total assets	5,206.4	4,797.0	+409.3	5,200.0
Interest-bearing debts	2,192.6	2,226.5	△ 33.9	2,350.0
Net Interest-bearing debts	1,751.5	1,724.3	+27.2	1,950.0
Stockholders' equity	791.1	726.8	+64.3	850.0
Ratio of stockholders' equity to total assets	15.2%	15.2%	+0.0%	16.3%
Net debt-to equity ratio	x 2.2	x 2.4	0.2 improved	x 2.3

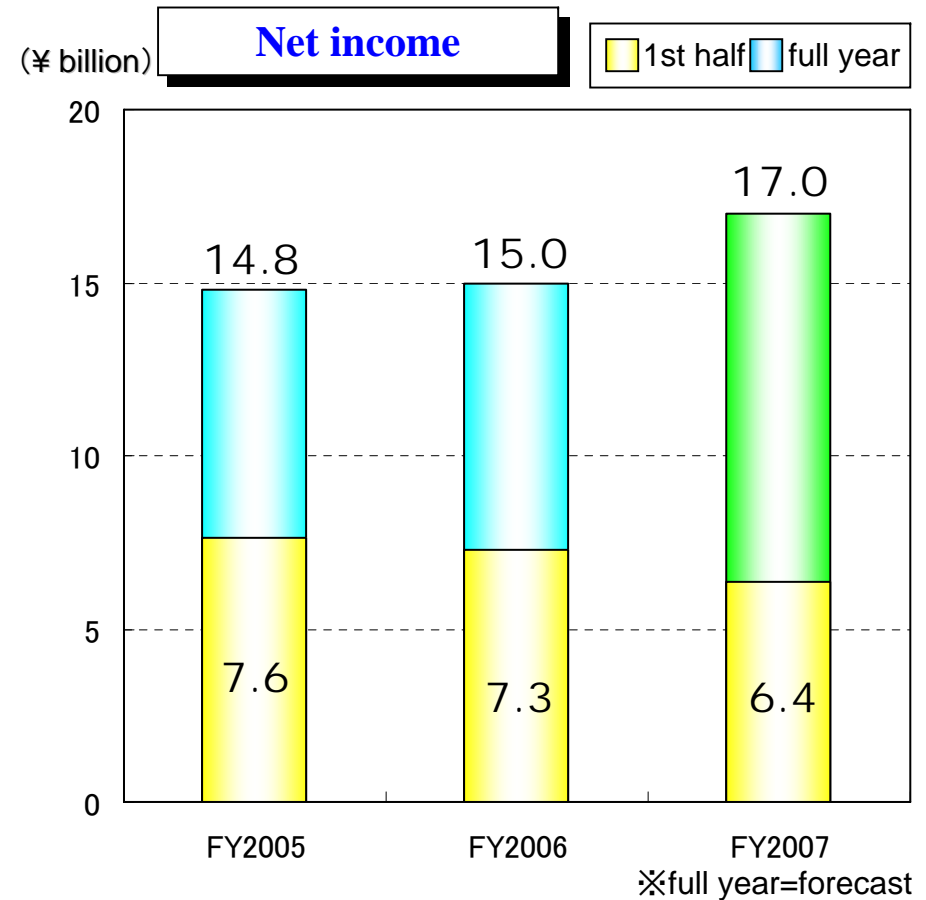
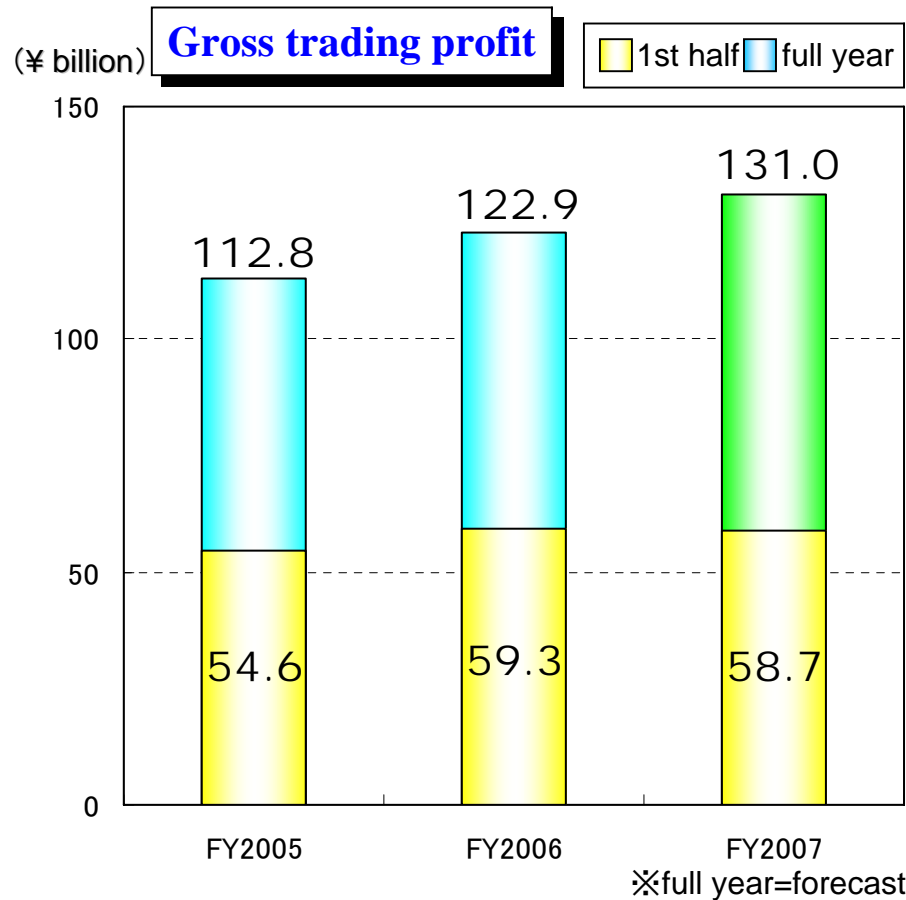
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2. Operating Segments

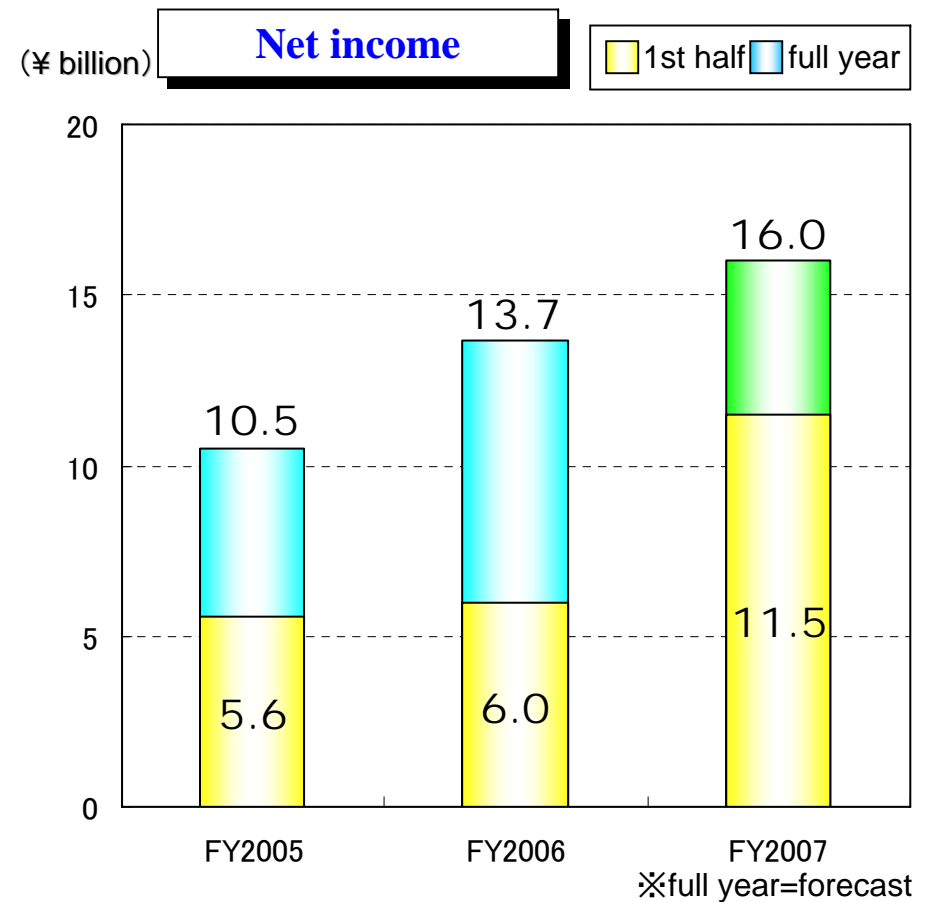
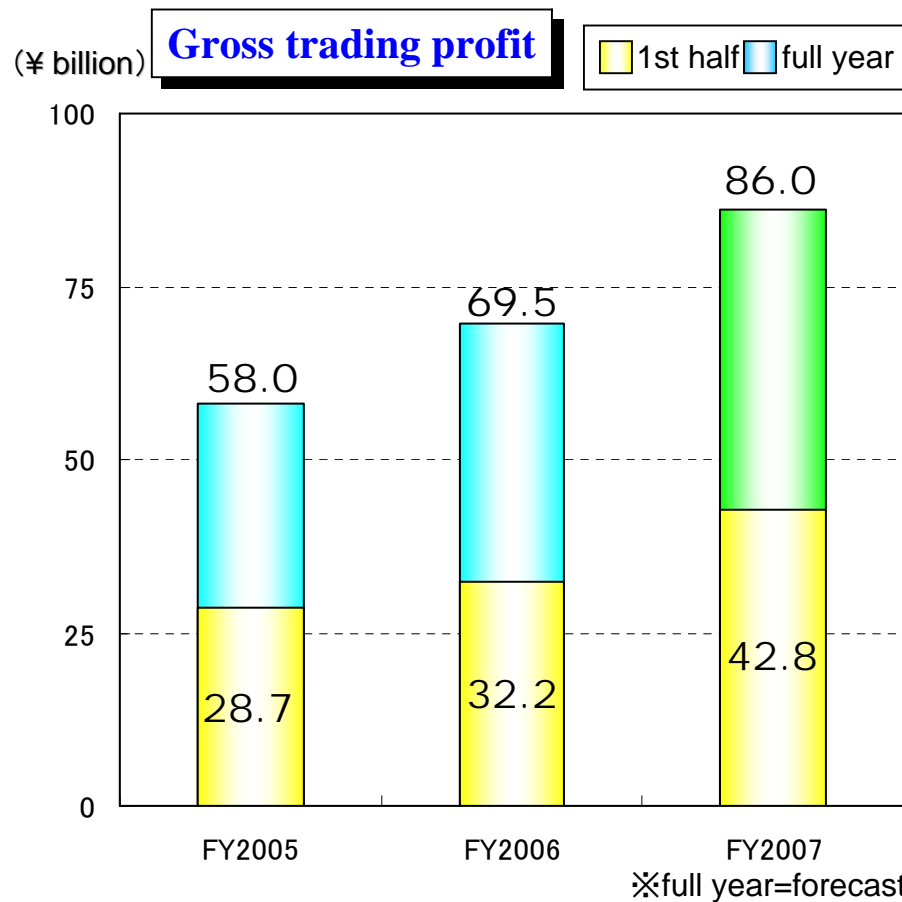
■ Profits decreased due to the absence of one time gain posted in the previous 1st half.

■ In 2nd half, contribution expected from new brand related business which was invested in last year.



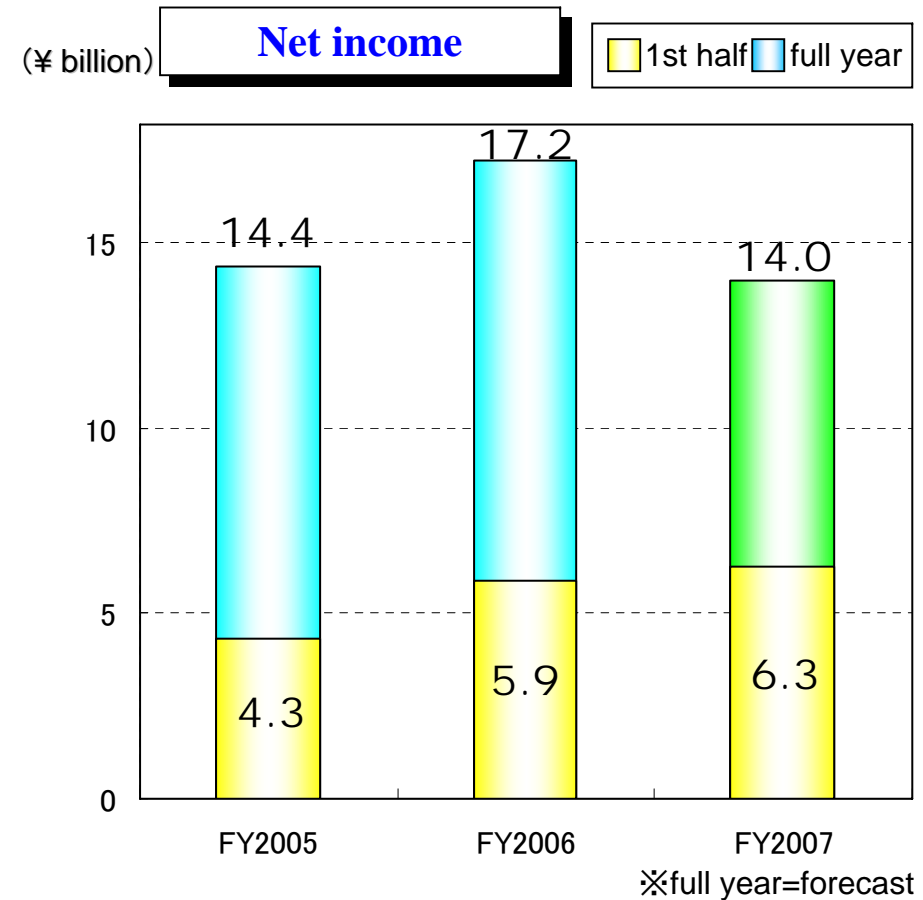
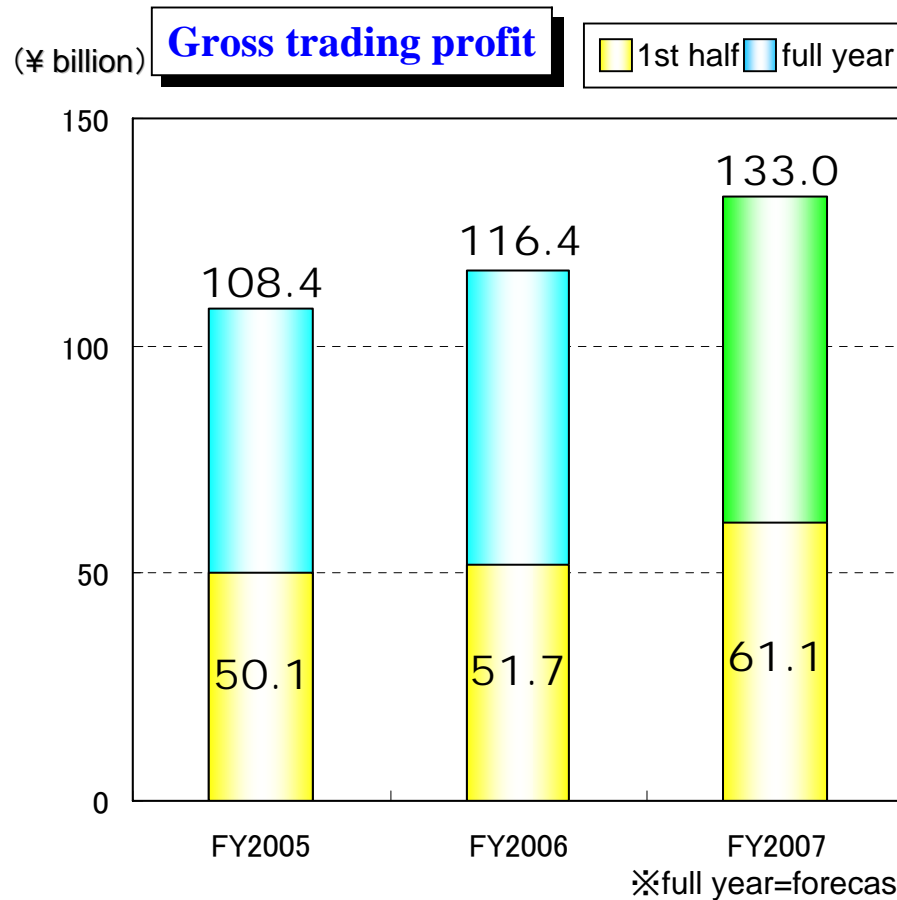
■ Profits increased due to good performance in plant, industrial machinery business in the US, automobile business in Europe and the US. Stock sales gain also contributed in 1st half.

■ Good performance in automobile business expected to continue in 2nd half



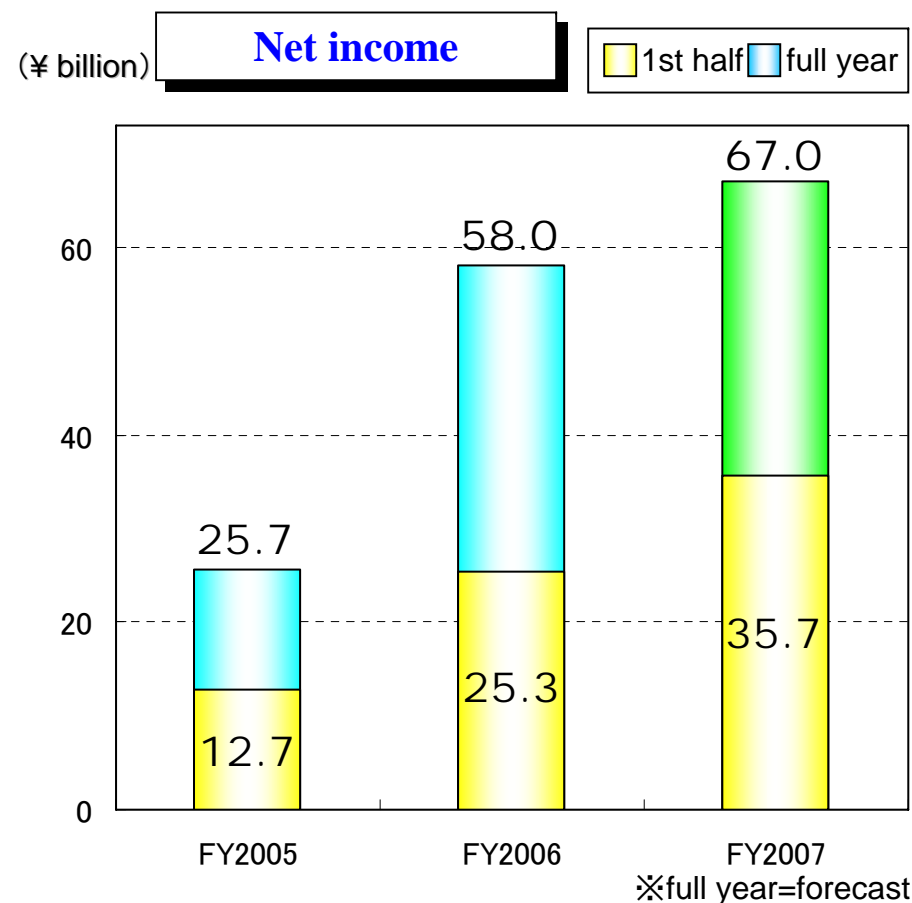
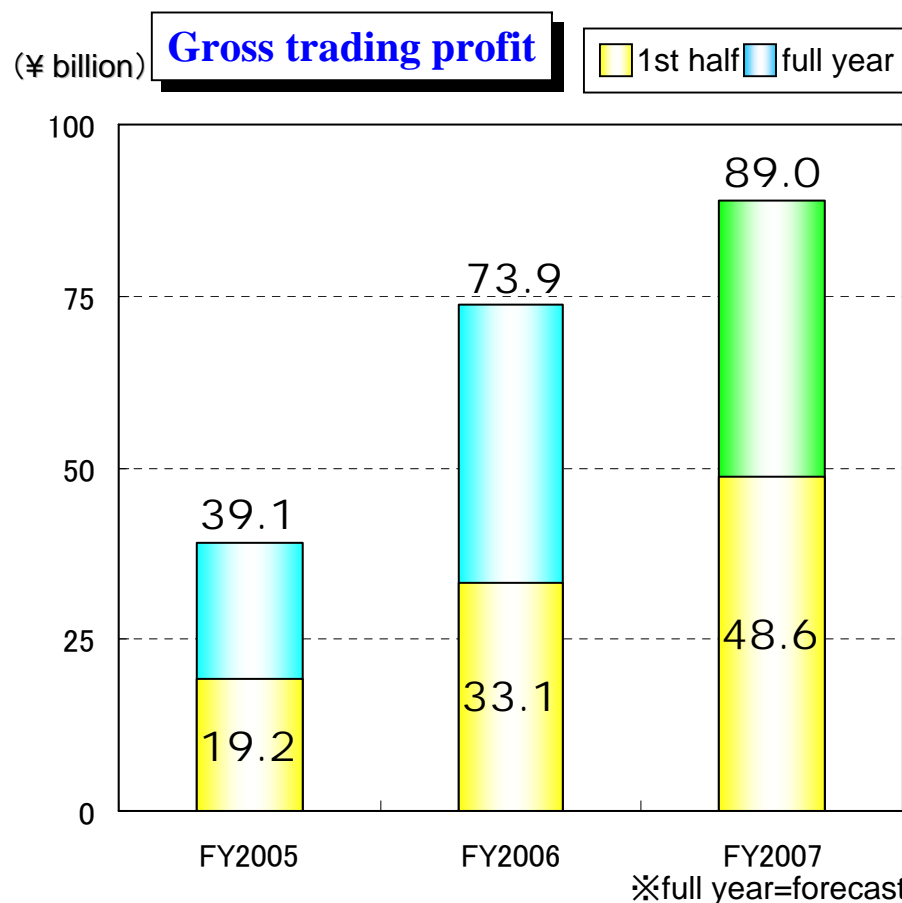
■ Profits increased due to good performance in domestic IT industry-related and aerospace related businesses in 1st half.

■ Good performance trends in IT industry-related business are expected to continue in 2nd half



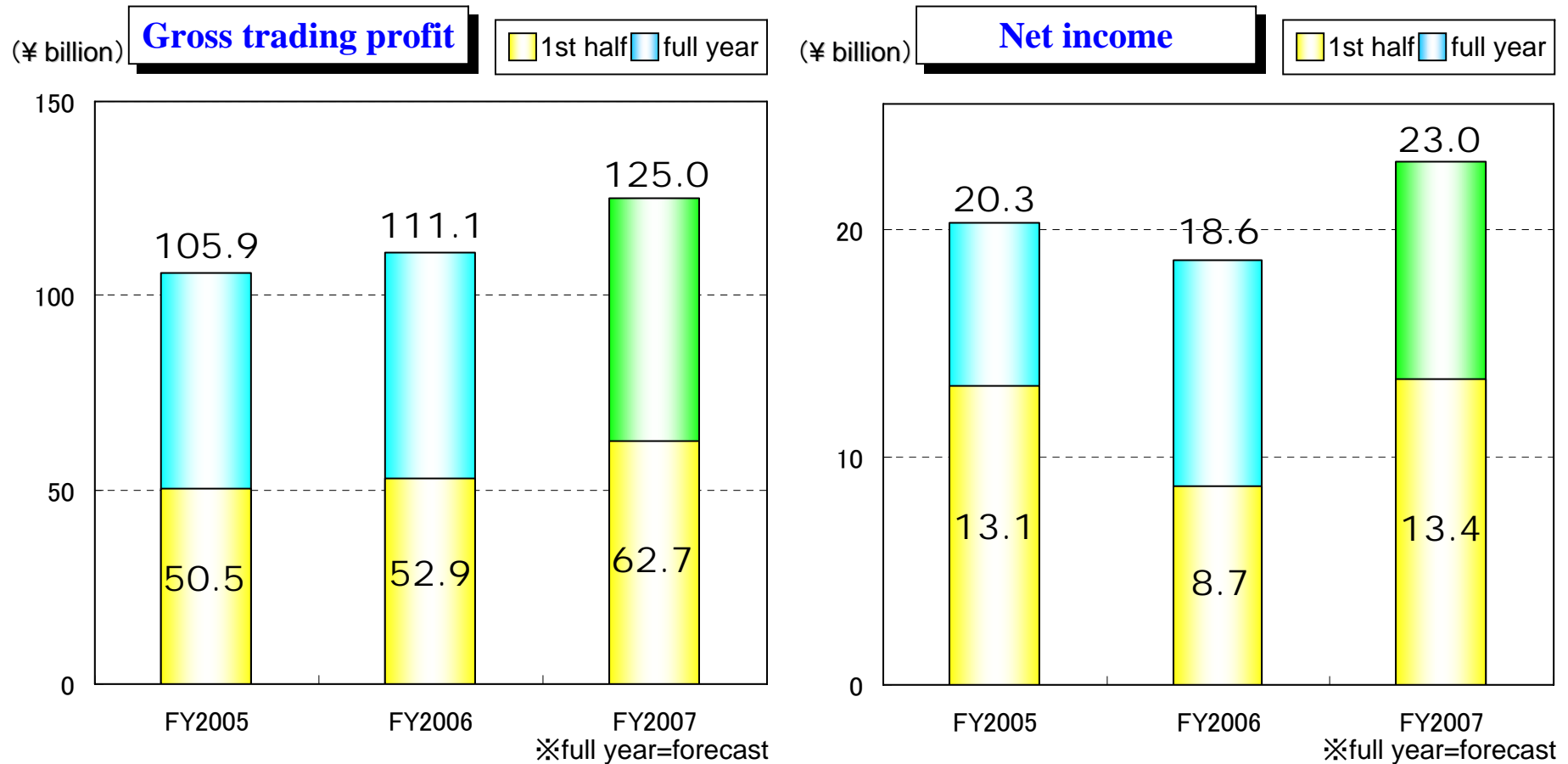
■ Profits increased due to production volume increase and higher crude oil prices in 1st half.

■ Full year forecast of both gross trading profit and net income was revised upward due to higher crude oil and iron ore prices.

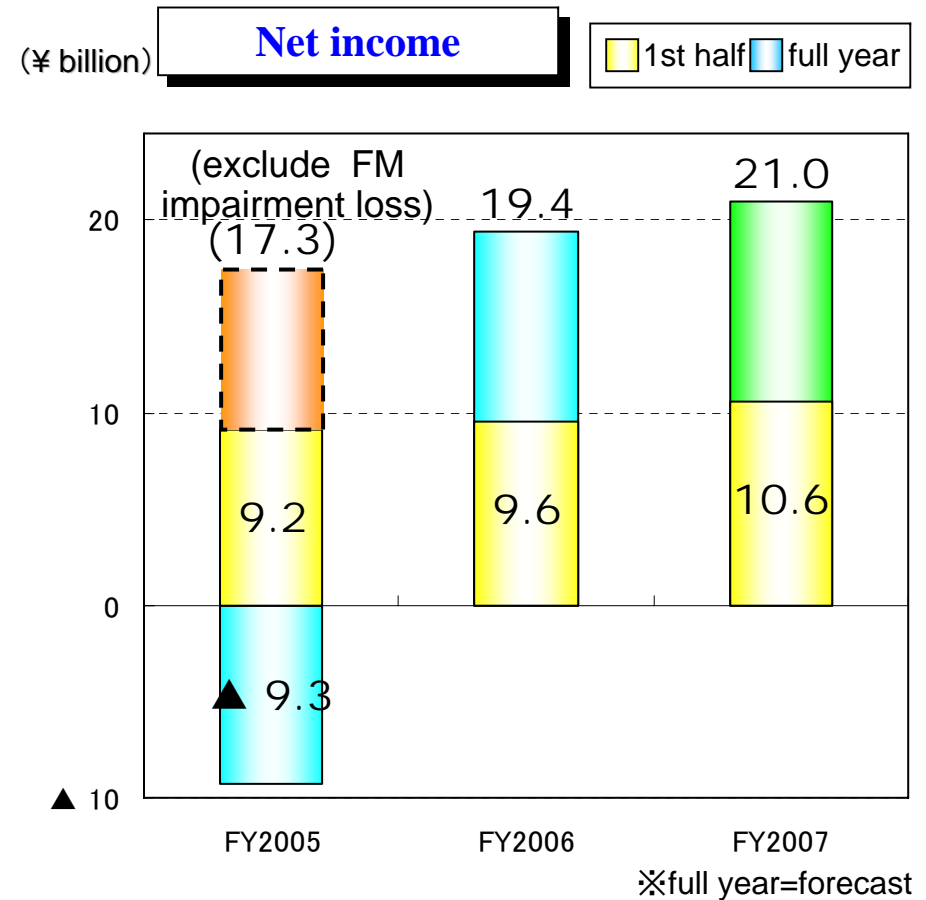
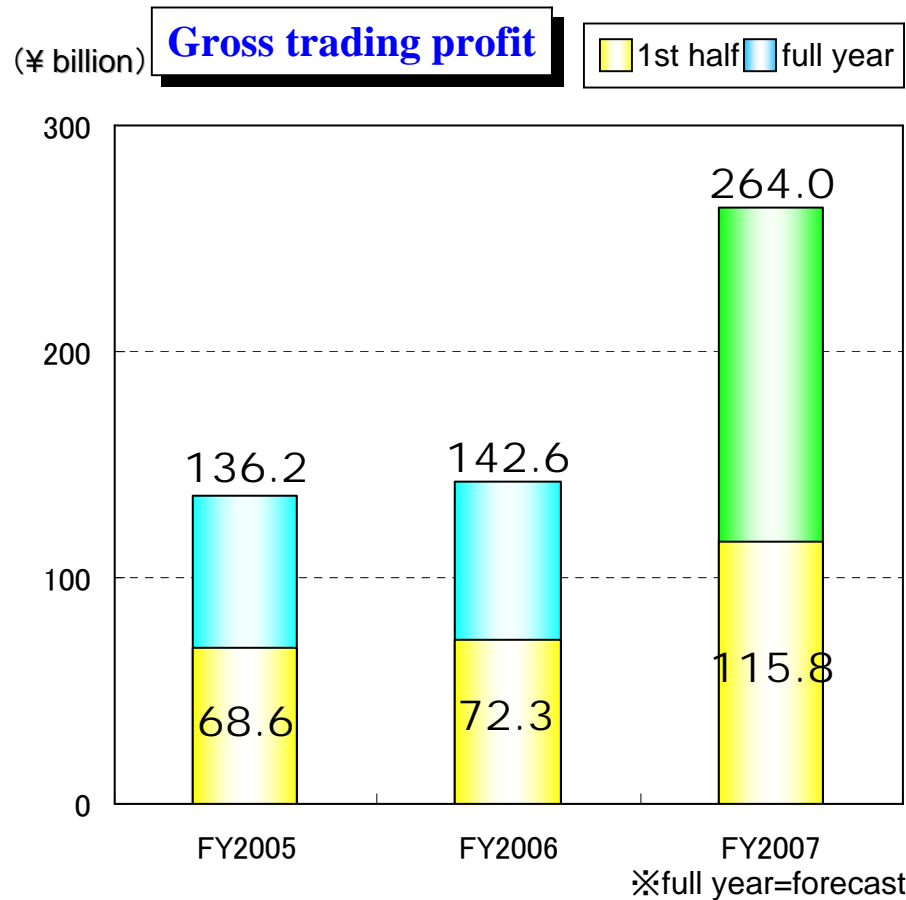


■ **Profits increased due to steady growth in building material related business in the US, domestic and chemical related business in 1st half.**

■ **Full year forecast of both gross trading profits and net income were revised upward from original forecasts that incorporated the continuing downward trend of US-housing demand and market prices of petrochemical products.**



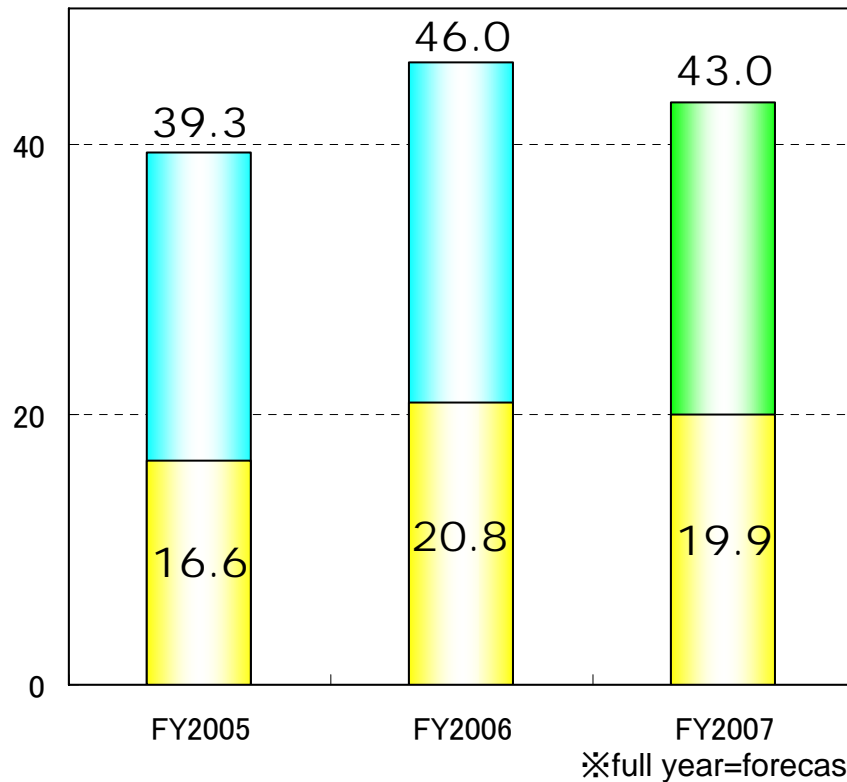
- **Big increase in gross trading profits due to turning NIPPON ACCESS,INC into a subsidiary in 1st half.**
- **Slight increase in this year's forecast due to SGA increase anticipated to expand business area.**



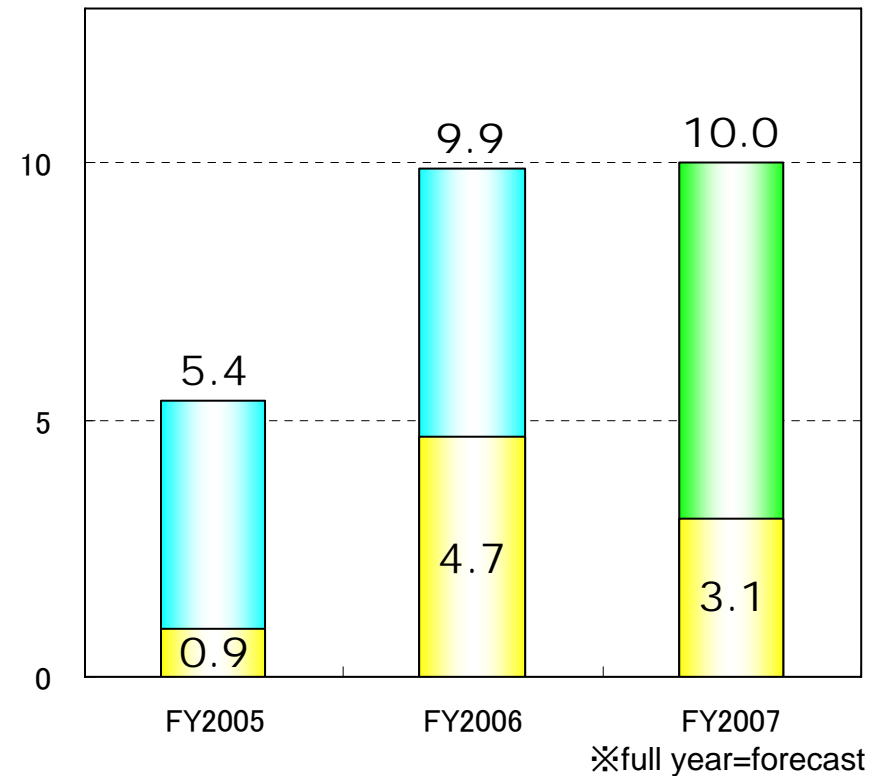
■ Gross trading profit decreased due to a logistic group company being reclassified from a subsidiary to an associated company in 1st half.

■ Full year forecast of net income would stay at the same level as previous year due to deterioration of equity earnings of associated company.

(¥ billion) **Gross trading profit** 1st half full year



(¥ billion) **Net income** 1st half full year



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1. Financial Highlights

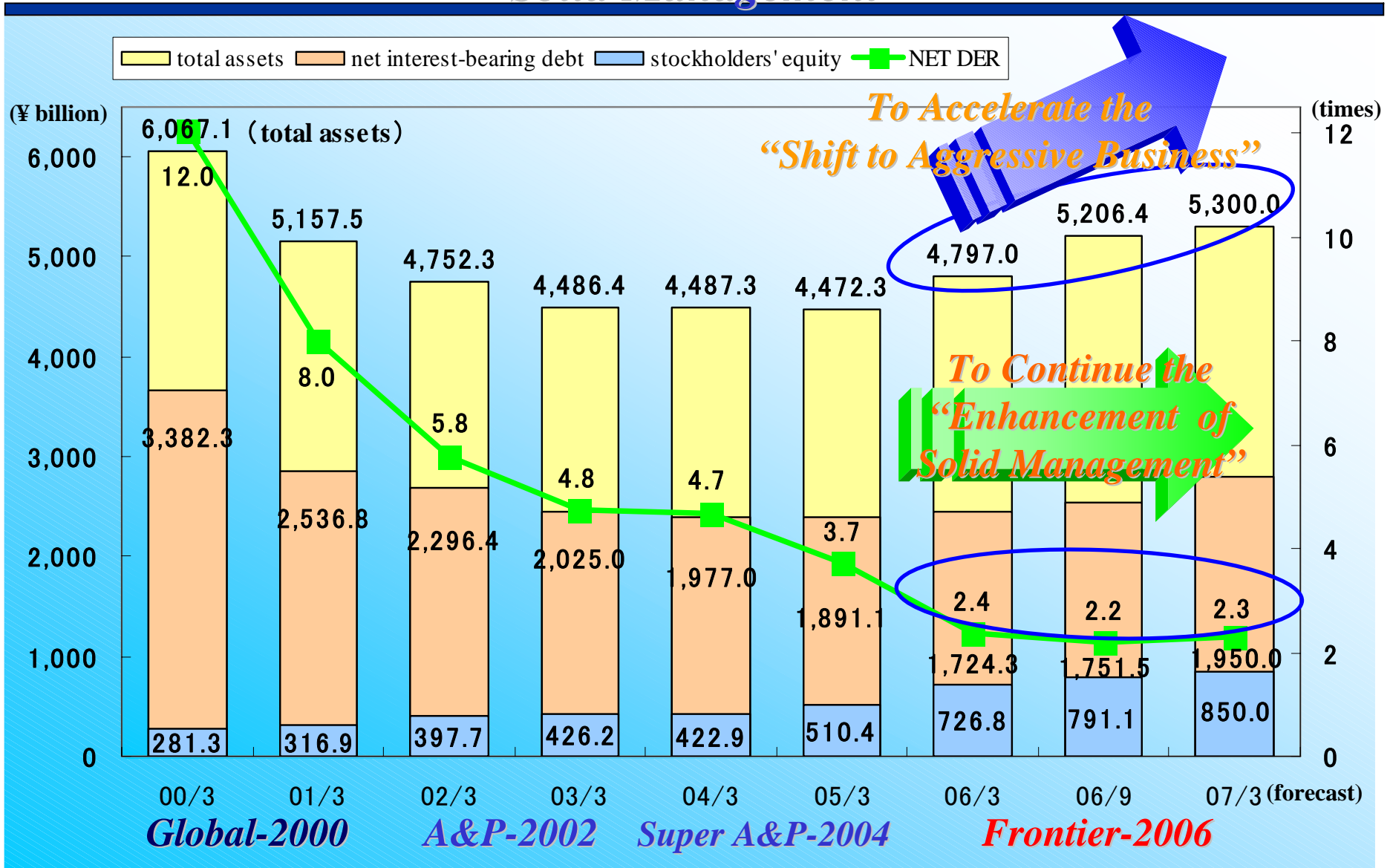
2. Operating Segments

3. Forecast for FY2007

3. Forecast for FY2007

(Unit : Billions of Yen)	Result of 1st half FY2007	Forecast of FY2007(original)	Forecast of FY2007(modified)	Result of FY2006
Gross trading profit	421.9	760.0	900.0	714.4
Operating income	123.6	225.0	245.0	193.4
Net income	96.7	155.0	171.0	145.1
Adjusted profit	148.5	273.0	293.0	252.0
Total assets	5,206.4	5,200.0	5,300.0	4,797.0
Net interest-bearing debt	1,751.5	1,950.0	1,950.0	1,724.3
Shareholders' equity	791.1	850.0	850.0	726.8
Net debt-to equity ratio	x 2.2	x 2.3	x 2.3	x 2.4
ROE		Approx. 20%	Approx. 20%	23.5%

To Accelerate the “Shift to Aggressive Business” and To Continue the “Solid Management”





ITOCHU Corporation