

ANNUAL FINANCIAL STATEMENTS

For years ended March 31, 2008 and 2007

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Consolidated Financial Results for Fiscal Year 2008 (Year ended March 31, 2008)

[Consolidated financial results have been prepared in conformity with accounting principles generally accepted in the United States of America]

Company name ITOCHU Corporation

Stock exchange code 8001

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

President and Chief Executive Officer Eizo Kobayashi

General Manager of Corporate Communications Division Yoshiharu Matsumoto TEL 81 - 3 - 3497 - 7291

The date of Shareholders' Meeting June 25, 2008 (Planned) The date of payout of dividend June 26, 2008 (Planned)

The date of issue of audited financial statements June 25, 2008 (Planned)

1. Consolidated operating results for fiscal year 2008 (from April 1, 2007 to March 31, 2008)

(1) Consolidated operating results (Summary)

(%: Changes from the previous fiscal year)

	Total trading transactions		Trading income		Please refer the below (*1)		Net income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Fiscal year 2008	12,412,456	7.2	266,524	0.7	282,707	(5.8)	218,585	23.5
Fiscal year 2007	11,579,059	10.6	264,621	36.8	300,230	38.4	177,059	22.0

*1 : Income before income taxes, minority interests and equity in earnings (losses) of associated companies

	Net income per share (basic)	Net income per share (diluted)	Ratio of net income to stockholders' equity	Please refer the below (*2)	Please refer the below (*3)
	yen	yen	%	%	%
Fiscal year 2008	138.27	128.52	23.3	5.4	2.1
Fiscal year 2007	111.95	-	21.8	6.0	2.3

*2 : (*1) / Total assets *3 : Trading income / Total trading transactions

(Reference) Equity in earnings (losses) of associated companies (millions of yen) FY 2008 : 70,238 FY 2007 : (20,069)

(2) Consolidated financial position

	Total assets	Stockholders' equity (U.S. GAAP basis)	Ratio of stockholders' equity to total assets	Stockholders' equity per share
	millions of yen	millions of yen	%	yen
March 31, 2008	5,255,420	978,471	18.6	619.01
March 31, 2007	5,271,512	896,195	17.0	566.78

(3) Consolidated cash flows information

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents
	millions of yen	millions of yen	millions of yen	millions of yen
Fiscal year 2008	65,552	(65,774)	(81,294)	446,311
Fiscal year 2007	235,917	(83,394)	(100,920)	532,856

2. Dividend distribution

	Dividend distribution per share			Total Dividend distribution (Annual)	Payout ratio (Consolidated)	Ratio of dividend distribution to stockholders' equity (Consolidated)
	End of 1st half	Year-end	Annual			
(Effective date)	yen	yen	yen	millions of yen	%	%
Fiscal year 2007	5.00	9.00	14.00	22,155	12.5	2.7
Fiscal year 2008	8.50	9.50	18.00	28,475	13.0	3.0
Fiscal year 2009 (Planned)	10.50	10.50	21.00		13.8	

3. Outlook of consolidated operating results for fiscal year 2009 (from April 1, 2008 to March 31, 2009)

(%: Changes from the previous fiscal year)

	Total trading transactions		Trading income		Please refer the below (*4)		Net income		Net income per share (basic)
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Fiscal year 2009	12,800,000	3.1	330,000	23.8	320,000	13.2	240,000	9.8	151.83

*4 : Income before income taxes, minority interests and equity in earnings (losses) of associated companies

4. Other information

- (1) Changes of classification of specified subsidiaries (*) in this fiscal year No
(*) Specified subsidiaries: Major subsidiaries selected according to the Japanese Cabinet Office Ordinance

- (2) Changes of accounting policies or presentation ways in the consolidated financial statements
(a) Changes of accounting policies No
(b) Other changes No

(Note) Please see the pages 26-27 "Basis of the Consolidated Financial Statements".

- (3) Number of common shares issued
- | | | | | |
|---|------------------|---------------|------------------|---------------|
| (a) Number of common shares outstanding :
(including the number of treasury stock) | Fiscal year 2008 | 1,584,889,504 | Fiscal year 2007 | 1,584,889,504 |
| (b) Number of treasury stock: | Fiscal year 2008 | 4,183,607 | Fiscal year 2007 | 3,693,789 |
| (c) Average number of common
shares outstanding : | Fiscal year 2008 | 1,580,878,959 | Fiscal year 2007 | 1,581,543,157 |

[Notes]

1. This document is an English translation of a statement written initially in Japanese. The Japanese original should be considered the primary version.
2. The financial statements 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.
3. "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"
4. 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 100.19 yen = 1 U.S. dollar, the exchange rate prevailing on March 31, 2008. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

Summary of Operations

General Economic Situations

As for the world economic environment during fiscal 2008, growth tempo has gradually diminished along with more and more serious subprime loan problems originally occurred in U.S. since last summer. Growth rate, especially in U.S., has been slowed down due to the negative influence over the entire economies resulting from ever higher prices of raw materials under the even more serious recessions in housing business. European economy has experienced worsened economic expectation despite, by and large, continuous expansion in individual consumption and capital investment.

On the other hand, Chinese economy has kept its high growth supported by strong export and capital investment. Resource-supplying countries has also enjoyed good performance led by affluent foreign currency earnings. Prices of primary commodities has kept on rising, up to over 100 dollars per barrel for crude oil, due to tight market resulting from increased demand from China and other countries as well as inflow of speculative money into commodity markets.

Japanese economy has slowed down due to drastic fall in the number of newly house building starts resulting from revised Building Standards Law and due to slowdown of capital investment along with sluggish corporate earnings, in spite of strong export especially for developing countries. Nikkei Stock Average has been on the decline since last summer, going down to the 12,000-yen level at the end of this fiscal year due to the impact of worldwide dropping stock prices. Regarding foreign exchange market, yen has been going up to around 100-yen under U.S. dollar falling across the globe resulting from lowered interest rate in U.S.

Operating Results

Total trading transactions for fiscal 2008, ended March 31, 2008 increased by 7.2% or 833.4 billion yen to 12,412.5 billion yen (123,889 million U.S. dollars) compared with the previous fiscal year, mainly due to oil price rise and transaction volume increase in crude oil accompanied by expansion of production in the oil fields owned, plus an increase coming from turning NIPPON ACCESS, INC. into a consolidated subsidiary [Consolidation of profit & loss accounts by consolidation method in NIPPON ACCESS, INC. started from the 2nd quarter of the previous fiscal year].

Revenue based on U.S. GAAP increased by 8.1% or 214.0 billion yen to 2,861.2 billion yen (28,558 million U.S. dollars) compared with the previous fiscal year, because of rising of price and increasing transaction volume in crude oil brought by expansion of production in the oil fields owned, transaction increase in automobile business to emerging countries as well as an increase through turning NIPPON ACCESS, INC. into a consolidated subsidiary.

Gross trading profit increased by 9.6% or 87.2 billion yen to 995.9 billion yen (9,940 million U.S. dollars) compared with the previous fiscal year, due to rising of price and an increase in crude oil transaction volume following expansion of production in the oil fields owned, an increase in automobile business mainly to emerging countries, and an increase impact coming from turning NIPPON ACCESS, INC. into a consolidated subsidiary, despite a decrease in housing materials transactions caused by slowdown of demands of houses in North America and in Japan.

Selling, general and administrative expenses, with increase accompanied by the expansion of business and turning NIPPON ACCESS, INC. into a consolidated subsidiary, increased by 13.2% or 84.3 billion yen to 723.4 billion yen (7,220 million U.S. dollars) compared with the previous fiscal year.

Provision for doubtful receivables increased by 21.1% or 1.0 billion yen to 6.0 billion yen (60 million U.S. dollars) compared with the previous fiscal year.

Net financial expenses worsened by 2.0% or 0.2 billion yen to 7.7 billion yen (77 million U.S. dollars) compared with the previous fiscal year.

Net interest expenses worsened by 10.1% or 2.9 billion yen to 32.2 billion yen (321 million U.S. dollars) due to higher interest rate.

Dividends received increased by 12.9% or 2.8 billion yen to 24.4 billion yen (244 million U.S. dollars), mainly because of an increase of dividends from LNG-related investment.

Concerning the other profits and losses, in year-to-year comparison, **Gain on disposal of investments and marketable securities** decreased by 30.5 billion yen to gain of 16.4 billion yen (164 million U.S. dollars) mainly due to increase of devaluation losses on investment securities and decrease of gain on disposal of investment securities accompanied by stock price fall. **Gain(Loss) on property and equipment-net** improved by 13.5 billion yen to gain of 6.7 billion yen (67 million U.S. dollars) mainly because of gain on disposal of coal mining interests and owned office building. **Other-net** decreased by 2.3 billion yen to gain of 0.8 billion yen (8 million U.S. dollars) led by foreign currency exchange losses along with appreciated yen rate.

As a result, **Income before income taxes, minority interests and equity in earnings (losses) of associated companies** decreased by 5.8% or 17.5 billion yen to 282.7 billion yen (2,822 million U.S. dollars) compared with the previous fiscal year.

Income taxes increased 37.2% or 33.1 billion yen to 122.0 billion yen (1,218 million U.S. dollars) compared with the previous fiscal year, mainly due to effect of deferred income taxes related with equity in investment in Orient Corporation (hereinafter "Orico") [see (Note) below], despite a decrease along with decreased Income before income taxes, minority interests and equity in earnings (losses) of associated companies.

Minority interests decreased 12.8% or 1.8 billion yen to loss of 12.4 billion yen (123 million U.S. dollars) compared with the previous fiscal year.

Equity in earnings (losses) of associated companies improved by 90.3 billion yen to gain of 70.2 billion yen (701 million U.S. dollars) compared with the previous fiscal year mainly due to change of gain/loss in investment in Orico [see (Note) below].

As a result, **Net income** increased by 23.5% or 41.5 billion yen to 218.6 billion yen (2,182 million U.S. dollars) compared with the previous fiscal year.

(Note) Impact of the special factors regarding the investment in Orico on "Equity in earnings (losses) of associated companies", "Income taxes" and Net income:

The following loss/gain is included in the consolidated result of fiscal 2007 and 2008, related to the investment in Orico.

FY 2007: Equity in losses (loss of 68.6 billion yen) and its tax effect (gain of 28.1 billion yen) caused by the extraordinary loss in Orico due to revision of Moneylending Control Law in Japan. [Impact on Net income: loss of 40.6 billion yen]

FY 2008: 1) Equity in earnings (gain of 52.2 billion yen) and its tax effect (loss of 21.4 billion yen) recognized regarding exemption from obligation to redeem preferred stocks, which was brought by the reverse split of the preferred stocks in Orico.

2) Devaluation loss of 26.2 billion yen and its tax effect (gain of 10.7 billion yen) related to Orico common stocks held.

[Impact on Net income: gain of 15.4 billion yen]

Due to above accounting procedure related to the investment in Orico, the overall impact is increases of 94.7 billion yen on Equity in earnings (losses) of associated companies, 38.7 billion yen on Income taxes, and 55.9 billion yen on Net income compared with the previous fiscal year.

Financial position

Total assets as of March 31, 2008 decreased by 0.3% or 16.1 billion yen to 5,255.4 billion yen (52,455 million U.S. dollars) compared with March 31, 2007, though with an increase in trade receivables in Energy, Metals & Minerals and Forest Products & General Merchandise and Chemicals; an increase of Mineral rights arising from acquiring interests in natural resource development sector; and an increase of Investment in and advances to associated companies from additional investment and increase in equity in investment in Orico, mainly because of decrease in Cash and cash equivalents, decrease in Other investments along with stock price fall, and decrease in Land and Buildings due to disposal of owned office buildings, as well as impact of yen's appreciation.

Stockholders' equity increased by 9.2% or 82.3 billion yen compared with March 31, 2007, to 978.5 billion yen (9,766 million U.S. dollars) due to accumulation of Net income in spite of decrease in accordance with the dividend payment; worsened Foreign currency translation adjustments through yen's appreciation; and decrease in Unrealized holding gains on securities and worsened Pension liability adjustments due to stock price fall.

Ratio of stockholders' equity to total assets improved by 1.6 points compared with March 31, 2007, to 18.6%.

Interest-bearing debt decreased by 2.8% or 61.2 billion yen to 2,104.4 billion yen (21,004 million U.S. dollars) compared with March 31, 2007, while **Net interest-bearing debt** (interest-bearing debt after deducting Cash and cash equivalents and Time deposits) increased by 1.4% or 23.6 billion yen to 1,654.5 billion yen (16,514 million U.S. dollars) compared with March 31, 2007, being in line with decrease of Cash and cash equivalents and Time deposits (84.8 billion yen).

As a result, **NET DER** (Net Debt-to-Equity Ratio) improved by 0.1 point compared with March 31, 2007, to 1.7 times.

Cash flow Information

Cash flows from operating activities recorded net cash-inflow of 65.6 billion yen (654 million U.S. dollars) mainly due to continuously good operating revenue from overseas resource-related business in spite of decrease through increase of trade receivables.

Cash flows from investing activities recorded net cash-outflow of 65.8 billion yen (656 million U.S. dollars) mainly due to cash-outflow regarding new investments and new capital expenditure in metal resource development, energy development and consumer & retail related area as well as additional investment in Orico, which was offset by cash-inflow regarding disposal of coal mining interests, owned office buildings and owned investment securities.

Cash flows from financing activities recorded net cash-outflow of 81.3 billion yen (811 million U.S. dollars) as a result of continuous promote to reduce interest-bearing debt.

As a result, the current balance of Cash and cash equivalents as of March 31, 2008 decreased by 86.5 billion yen to 446.3 billion yen (4,455 million U.S. dollars) compared with March 31, 2007.

The trend of consolidated cash flow indices is as follows:

FY	2004	2005	2006	2007	2008
Ratio of stockholders' equity to total assets (%)	9.4%	11.4%	15.2%	17.0%	18.6%
Ratio of market capitalization to total assets (%)	16.5%	19.1%	33.3%	35.0%	29.6%
Years of debt redemption (years)	13.9yrs	18.5yrs	12.0yrs	9.2yrs	32.1yrs
Interest coverage ratio (times)	4.4	4.1	4.7	5.6	1.3

Ratio of stockholders' equity to total assets (%) = Stockholders' equity / Total assets

Ratio of market capitalization to total assets (%) = Market capitalization / Total assets

Years of debt redemption (years) = Interest-bearing debt / Cash flows from operating activities

Interest coverage ratio (times) = Cash flows from operating activities / Interest paid

For additional information, as disclosed in "Improper Accounting Treatment by a Former Employee" (dated March 27, 2008) and "Regarding accounting treatment concerning the announcement on March 27th, 2008" (dated April 8, 2008), the cumulative loss of 3,765 million yen related with this incident is recognized as deduction items from Gross trading profit in the consolidated statements of operations of fiscal 2008, applying lump-sum reporting method (and deduction from Inventories in the consolidated balance sheets.)

(Reference) Allocation of effects for each fiscal year is as follows.

(Unit: million yen)

FY	2008	2007	2006	2005	2004	2003	up to 2002	Cumulative
Effect (pre-tax)	(494)	(779)	71	(205)	4	(108)	(2,254)	(3,765)

Though the cumulative effect is not changed from that announced on March 27th, 2008, allocation of effect into each fiscal year has been partially changed through the probe process afterwards.

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Financial Highlights

【Consolidated】

(Unit: Billion Yen)

		2004	2005	2006	2007	2008
Total trading transactions	1st Half	4,675.5	4,603.1	5,015.1	5,572.4	5,898.0
	Full year	9,517.0	9,576.0	10,473.9	11,579.1	12,412.5
Gross trading profit	1st Half	274.5	303.8	338.4	421.9	491.3
	Full year	555.9	630.8	714.4	908.7	995.9
Income before income taxes, minority interests and equity in earnings(losses) of associated companies	1st Half	25.4	69.6	83.1	137.7	144.7
	Full year	(92.0)	120.0	216.9	300.2	282.7
Net income (loss)	1st Half	19.2	44.1	(*) 61.8	96.7	117.0
	Full year	(31.9)	77.8	145.1	177.1	218.6

(*)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. 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 (65.3 billion yen) in the first half of the fiscal year 2006.

	Mar. 2004	Mar. 2005	Mar. 2006	Mar. 2007	Mar. 2008
Total assets	4,487.3	4,472.3	4,797.0	5,271.5	5,255.4
Interest-bearing debt	2,561.9	2,346.7	2,226.5	2,165.6	2,104.4
(Cash, cash equivalents and time deposits)	(584.9)	(455.6)	(502.2)	(534.7)	(449.9)
Net interest-bearing debt	1,977.0	1,891.1	1,724.3	1,630.9	1,654.5

Stockholders' equity	422.9	510.4	726.8	896.2	978.5
Stockholders' equity per share (Yen)	267.25	322.54	459.47	566.78	619.01

R O A (Return on assets)	- %	1.74%	3.13%	3.52%	4.15%
R O E (Return on equity)	- %	16.7%	23.5%	21.8%	23.3%
Net debt-to-equity ratio (times) (**)	4.7	3.7	2.4	1.8	1.7

(**)Net debt-to-equity ratio: Net interest-bearing debt / Stockholders' equity

【Stock price information】

(Unit: Yen)

		2004	2005	2006	2007	2008
Stock price	(Highest)	480	573	1,056	1,223	1,591
	(Lowest)	231	403	484	837	804
	(Closing)	468	540	1,011	1,168	984
(Reference) Nikkei Stock Average (*)		11,715	11,668	17,059	17,287	12,525

(*) Nikkei Stock Average: Year-end price of each fiscal year

Risk Information

ITOCHU Group is exposed to various risks such as market risks, credit risks and investment risks, due to the nature of a wide range of their businesses. These risks include unpredictable uncertainties and may have significant effects on their future business and financial performance.

ITOCHU Group has enhanced their risk management policy and risk management methodology to monitor and manage these risks, but it is impossible to completely avoid all these risks.

With respect to descriptions about future events, ITOCHU appropriately has determined its assumptions and estimates based on information currently available as of March 31, 2008.

(1) Corporate Result Risks Due to Macroeconomic Factors

ITOCHU Group involves a wide variety of business ranging from supply of raw materials to manufacturing and sale in each of their businesses areas. It conducts diverse types of commercial transactions such as purchase and sale of products in the domestic market, import/export trade between overseas affiliates as well as development of energy, metal resources and mineral resources. Changes in the domestic economy and fluctuations in world economic environments can seriously affect ITOCHU Group's results of operations.

To give an overview of Group's main areas of business, trade in machinery such as plants, autos and industrial machinery, trade in mineral resources, energy and chemical products and investments in development are all largely dependent on economic trends in the world while the domestic economy has a relatively strong influence on the consumer and retail-related segments such as textiles and food. However, economic trends in the world has been more and more influential even on these consumer and retail-related segments as economic globalization proceeds.

Furthermore, in North America, China & Asia, which ITOCHU regards as priority areas, the Group has conducted business and trade in many business areas. Consequently, economic trends in the said regions have a possibility to seriously affect the financial position and results of operations of the Group.

(2) Market Risks

ITOCHU Group is exposed to market risks such as foreign exchange rate risks, interest rate risks, commodity price risks and stock price risks. The Group attempts to minimize risks related to market fluctuations such as changes in foreign exchange rates and interest rates by establishing risk management policy such as setting and controlling limits and by utilizing a variety of derivative instruments for hedging purposes.

i) Foreign Exchange Rate Risk

ITOCHU Group is exposed to foreign exchange rate risk related to transactions in foreign currencies due to their significant involvement in import/export trading.

ITOCHU is working to manage the Group's foreign currency balance based on independently specified criteria such as contract amount, debt and liabilities, and short/long-term, as well as setting limits on foreign exchange rate risk. ITOCHU is also working to minimize foreign exchange rate risk using derivative transactions such as forward exchange contracts and currency swap contracts. However, ITOCHU cannot guarantee a complete avoidance of such foreign exchange rate risk by utilizing these hedging techniques.

Since ITOCHU is engaged in businesses involving foreign currencies with a number of overseas trading subsidiaries and other overseas group companies, the figures in Japanese yen on its consolidated balance sheets are also exposed to the risk of stockholders' equity fluctuation through the accounting for foreign currency translation adjustments resulting from translation gains or losses. This translation risk has no impact on the performance of the business itself conducted in foreign currencies. In addition, a long period is generally needed to recover the cost of investments. Accordingly, ITOCHU does not hedge the translation risk, as the effectiveness provided by hedging is considered to be limited.

ii) Interest Rate Risk

ITOCHU Group is exposed to interest rate risk in both raising and using money for financing, investing, and operating activities. Among the interest insensitive assets such as invested marketable securities or fixed assets, the part acquired using floating interest loans is considered to be the interest mismatch amount exposed to interest rate risk. ITOCHU is working to quantify the interest rate risk to control the fluctuation of gains and losses due to interest rate change properly.

To be specific, using the management method Earnings at Risk (EaR), ITOCHU has set a certain limit (Loss Cut Limit) as the highest acceptable interest payment and has executed hedging transactions primarily in the form of interest rate swaps to minimize interest rate risk.

However, ITOCHU still cannot guarantee a complete avoidance of interest rate risk, even having adopted these management methods.

iii) Commodity Price Risk

As a trading company handling a diverse array of commodities, ITOCHU Group is exposed to commodity price risk due to such factors as market fluctuations. The Group has established a fundamental risk management policy on an individual Division Company basis, assessing purchase contracts, inventories, and sales contracts, etc. and sets and manages a balance limit and loss cut limit for each individual product with conducting periodic reviews.

In addition, ITOCHU Group works to minimize commodity price risk by utilizing derivatives such as futures or forward contracts as means of hedging. Despite these measures, ITOCHU Group cannot guarantee a complete avoidance of commodity price risk.

ITOCHU Group also participates in resource development businesses such as the energy, metals and minerals sector and other manufacturing businesses. Production in these businesses is also exposed to the same commodity price risk noted above, and it is possible for the value of the businesses to deteriorate.

If this were to occur, it could seriously affect the financial position and results of operations of ITOCHU Group.

iv) Stock Price Risk

ITOCHU Group holds available-for-sale securities which are vulnerable to price fluctuation.

The Group strives to maintain appropriate levels of investment and to minimize the risk by applying Exit Rule for inefficient investments that ITOCHU Group has little reason to hold.

However, assuming that the price of these investments fluctuated and the fair value of these available-for-sale marketable securities decreased, the necessity of recognizing holding loss on securities may arise, and it could seriously affect the financial position and results of operations of ITOCHU Group.

(3) Credit Risks

ITOCHU Group conducts a vast array of commercial transactions with its trading partners, both domestically and overseas. ITOCHU therefore bears credit risk from the uncollectible trading receivables, loans, or credits for guaranty held by the Group due to the deteriorating credit status or insolvency of ITOCHU's partners, from assuming a responsibility to fulfill the contracts as an involved party is unable to continue its business and fulfill its obligations under the contracts.

In ITOCHU, the credit department, which is independent of the business departments, manages credit risk on both quantitative and qualitative bases. Each proposal submitted by a business division undergoes careful screening by the credit department, which then sets an appropriate credit limit upon the completion of review. Specific expiration dates are set for credit limits. These limits and the status of trade receivables are monitored on a periodic basis along with periodic reviews of the status of debt collections and delinquencies. The necessary reserves are determined and booked on this basis.

With all these measures, however, the occurrence of credit risks cannot be completely avoided, and such occurrences could seriously affect the financial position and results of operations of ITOCHU Group.

(4) Country Risk

ITOCHU Group has trading relationships with many foreign countries. These include handling foreign goods and investments in foreign trading partners. ITOCHU Group therefore is exposed to country risk, resulting from regulations imposed by foreign governments, political instability, or restrictions on the transfers of funds. In response to the country risk, in addition to taking appropriate countermeasures for each transaction, with the aim of avoiding a concentration of exposure, ITOCHU Group is endeavoring to manage risk by setting total limit guidelines and limits for each country and setting credit policies appropriate to each country.

ITOCHU Group does, however, have debts in countries and regions where there is a relatively high probability of country risk emerging, and those in which business activities are implemented through loans, investment and guarantees for monetary indebtedness. When those debts and business activities face events caused by political, economic, or social instability, ITOCHU Group cannot entirely deny the possibility that those events may have a significant impact on the debt collection and sustainability of ITOCHU Group's business activities in such countries and regions. Such occurrences could have a serious, adverse effect on the financial position and results of operations of ITOCHU Group.

(5) Investment Risk

Investing in a variety of businesses is one of the major business activities of ITOCHU Group.

In managing the Group's portfolio of investments strategically, ITOCHU Group faces serious decisions regarding the initiation of new investments that will produce profit commensurate with the attendant risk, or the withdrawal from investments that do not produce profits consistent with attendant risks.

In considering a new investment, monitoring existing business and withdrawing from an investment, ITOCHU has a standard for decision making.

However, in ITOCHU Group's engagement in investing activities, there may arise such cases that the Group is unable to achieve the Group's forecasted results due to a deteriorating economic environment for business in which the Group has invested or the deteriorating corporate results and financial standing of ITOCHU's partners, ITOCHU Group is unable to withdraw from a business or restructure the business under a timeframe or method that the Group desires, the likelihood of recovering due to poor corporate results of investees, or stock prices is expected ITOCHU's investment diminishes to drop below specified levels for a considerable period of time. In such cases, serious adverse influences on the future corporate results and financial standing of ITOCHU Group are possible including the necessities that the whole or partial investment is recognized as loss, and that the infusion of additional funds is required.

(6) Risks Due to Loss on Property and Equipment-net

ITOCHU Group is exposed to impairment loss risks on fixed assets held, such as real estate, aircraft, and ships. ITOCHU does not foresee at present any necessity for booking additional impairment losses.

However, ITOCHU Group might be required to recognize impairment losses should the economic value of fixed assets deteriorate due to decreased demand or deterioration in market conditions for each of the assets. Such an occurrence could seriously affect the financial position and results of operations of ITOCHU Group.

(7) Risks Due to Fund Raising

ITOCHU Group uses ALM (Asset Liability Management) to ensure the necessary funding for its businesses and to ensure liquidity through borrowings from domestic and international financial institutions, as well as the issuance of commercial papers and corporate bonds.

However, should ITOCHU's credit worthiness in the capital market deteriorate due to a significant lowering of the Company's credit rating, or should there be an upheaval in the financial systems in major financial markets, the Group could experience an inability to raise funds from financial institutions or investors when necessary or under desirable conditions and could consequently experience an increase in funding costs. This could exert a serious, adverse influence on the financial position and results of operations of ITOCHU Group.

(8) Risks Due to Benefit Expenses and Benefit Obligations

The benefit expenses and benefit obligations of ITOCHU are calculated based on actuarial calculations that utilize a variety of assumptions such as the discount rate for benefit obligations and the expected rate of return on pension assets. As of March 31, 2008, there was no shortfall in accumulated pension assets.

However, should it become necessary to change the assumptions on which the actuarial calculations are based or should pension assets be affected by a deterioration in the stock market, it is possible that pension expenses and benefit obligations could increase and that additional contributions to pension assets might be necessary.

The financial position and results of operations of ITOCHU Group could be seriously affected by such occurrences.

(9) Risks Due to Deferred Income Taxes

Deferred income tax assets are an important factor in ITOCHU's consolidated balance sheets. Therefore, accounting judgment on evaluation of deferred income tax assets has a substantial impact on ITOCHU's consolidated financial statements. Considering the necessity of an allowance for deferred income tax assets, ITOCHU Group reports the realizable amount of deferred income tax assets, taking into consideration future taxable income and feasible tax planning strategies. The management of ITOCHU Group believes these estimations of realizable amount of deferred income tax assets are rational. However, allowance for deferred income taxes may increase or decrease depending on changes in taxable income during the tax planning period, changes in the tax system in each country including changes in tax rates and changes in tax planning strategies. In that case it could affect the financial position and results of operations of ITOCHU Group.

(10) Risks Due to Competition

Due to ITOCHU Group's involvement in many different industries and the fact that the Group handles a vast array of products and services, the Group is open to competition from many different companies, both domestic and foreign, including competition from other general trading companies. ITOCHU Group cannot deny the existence of other companies with superior experience, technology, and funding capacity, that are in a position to provide products and services that meet customer needs. Moreover, the possibility of ever-greater competition from companies in newly developing countries like China exists in addition to ongoing competition from companies in European and North American industrialized countries due to the economic globalization.

ITOCHU Group could also find its competitiveness unsustainable due to future events such as deregulation, changes in the business environment such as entering into other industries, and technological innovation. The advent of such risks could cause a corresponding loss in competitiveness for ITOCHU Group, giving major adverse impact on the financial position and results of operations of ITOCHU Group.

(11) Risks Associated with Significant Lawsuits

There is no significant, currently pending lawsuit, arbitration, or other legal proceeding that may materially affect the financial position or results of the operations of ITOCHU Group.

However, there shall be no assurance that domestic or overseas business activities of ITOCHU Group may not become subject to any of such lawsuits, arbitrations or other legal proceedings.

(12) Risks Associated with Compliance

i) Risks Related to Laws and Regulations

ITOCHU Group is subject to a number of diverse laws and regulations both domestically and overseas due to the vast array of products and services the Group provides.

To be specific, ITOCHU Group is required to adhere to laws and regulations such as the laws for each industry, all laws pertaining to trade such as foreign exchange control laws, antitrust laws, intellectual property laws, waste disposal laws and the laws of each country in which ITOCHU Group conducts business overseas. ITOCHU Group is aware that the observance of laws and regulations is a serious obligation on the part of the Company and the Group has committed every effort into the observance of these laws and regulations by reinforcing the compliance system.

With all these measures, however, there is a possibility of the situation where, including personal misconduct by employees, risks associated with compliance or suffering social disgrace cannot regulations or abrupt changes be removed. Also, ITOCHU cannot deny that additional in regulations by legislative, judicial, and regulatory bodies are a possibility both domestically and overseas, and there are possibilities of major change in laws and regulations by political/economical changes.

This could exert a serious, adverse influence on the financial position and results of operations of ITOCHU Group.

In fiscal 2008, a case was revealed where a former ITOCHU employee had committed improper accounting treatment in transactions of foreign-made beverage-use ethanol for substantially long time resulting in accumulated effect of 3,765 million yen. To prevent recurrence of these cases, ITOCHU has decided on taking measures to make all employees thoroughly aware of compliance, implement personnel reassignment periodically and strictly, strengthen supervisory framework covering segregation of duties, and ensure the controlling processes for individual transactions.

ii) Risks Related to the Environment

ITOCHU Group has designated global environmental issues as one of the most important elements of its management policy. The Group is actively working on environmental issues designated by ITOCHU's environmental policy to deal with the risk of infringement of laws and regulations pertaining to the environment by each business, the destruction of the natural environment by natural resource development, real estate development, and goods and services. Despite these efforts, ITOCHU Group cannot guarantee that the Group's business activities will not affect the world environment, and ITOCHU cannot completely avoid the possibility that the opposition of environmental protection groups will impede the business growth. Should such events occur, the ITOCHU Group could suffer the loss of public trust and could suffer serious adverse effects on the financial position and results of operations of ITOCHU Group.

(13) Risks Associated with Information Systems and Information Security

In ITOCHU Group, a code of conduct concerning the handling of information is enforced on all directors and employees and high priority is placed on maintaining a high information security level. ITOCHU Group has established information systems to facilitate the sharing of information and to improve the efficiency of operations.

In order to maintain a secure operation of its information systems, ITOCHU Group has established security guidelines and has developed crisis control measures.

Despite these measures, ITOCHU Group cannot completely avoid the possibility of unauthorized access from the outside, the leakage of sensitive company information due to computer viruses, or operational failure of the system due to damage to information system equipment arising from natural disasters or accidents or from trouble with telecommunications circuitry.

If such events occur, this could cause a deterioration of operational efficiency, and depending on the seriousness of the damage, could result in a serious adverse effect on the financial position and results of operations of ITOCHU Group.

(14) Natural Disaster Risk

Natural disasters such as earthquake may adversely affect the operations of ITOCHU Group. ITOCHU has implemented measures such as developing Business Continuity Plan (BCP) under large-scale disasters, introducing the safety confirmation system, creating a disaster manual, reinforcing earthquake resistance, and conducting emergency drill. Also, various measures have been implemented individually in each Group company. However, since ITOCHU Group operates business activities in a vast range of regions, damage from disasters cannot be completely avoided. Therefore, damage inflicted from natural disaster could seriously affect the financial position and results of operations of ITOCHU Group.

Performance of Group Companies (1)

Years ended March 31, 2008 and 2007

Components of Consolidated Net Income

(Unit: billion yen)	2008	2007	Increase (Decrease)	
Parent company	78.3	94.6	(16.3)	
Group companies excluding overseas trading subsidiaries	(*) 160.9	(*) 101.7	59.2	(*)includes the tax effect relating to the equity in investment in Orient Corporation.
Overseas trading subsidiaries	23.1	22.8	0.3	
Subtotal	(*) 262.3	(*) 219.1	43.2	
Consolidation adjustments	(43.7)	(42.1)	(1.7)	
Consolidated net income	218.6	177.1	41.5	
Adjusted profit	335.0	241.9	93.1	(Note) Adjusted profit = Gross trading profit + SG&A expenses + Net financial expenses + Equity in earnings of associated companies

Number of Group Companies

	March 31, 2008			March 31, 2007			Increase	Decrease	Changes within Group	Net changes
	Domestic	Overseas	Total	Domestic	Overseas	Total				
Subsidiaries	191	223	414	212	226	438	+ 26	(52)	+ 6	(4)
Equity-method associated companies	94	118	212	102	111	213	+ 27	(26)	(6)	+ 4
Total	285	341	626	314	337	651	+ 53	(78)		(25)

Number of Direct Controlled Companies

	March 31, 2008			March 31, 2007			Increase	Decrease	Changes within Group	Net changes
	Domestic	Overseas	Total	Domestic	Overseas	Total				
Subsidiaries	111	141	252	129	140	269	+ 14	(30)	+ 1	(2)
Equity-method associated companies	69	93	162	71	83	154	+ 21	(14)	(1)	+ 2
Total	180	234	414	200	223	423	+ 35	(44)		(9)

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

Profits/Losses of Group Companies Reporting Profits/Losses

	(Unit: billion yen)								
	2008			2007			Increase (Decrease)		
	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Group companies excluding overseas trading subsidiaries	(*) 197.0	(36.1)	160.9	159.2	(*) (57.5)	101.7	37.7	21.4	59.2
Overseas trading subsidiaries	23.6	(0.5)	23.1	23.1	(0.3)	22.8	0.5	(0.2)	0.3
Total	(*) 220.6	(36.6)	184.0	182.3	(*) (57.9)	124.5	38.2	21.3	59.5

Number/Share of Group Companies Reporting Profits

		2008			2007			Increase (Decrease)		
		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Subsidiaries	Domestic	155	36	191	184	28	212	(29)	8	(21)
	Overseas	181	42	223	190	36	226	(9)	6	(3)
	Total	336	78	414	374	64	438	(38)	14	(24)
Equity-method associated companies	Share (%)	81.2%	18.8%	100.0%	85.4%	14.6%	100.0%	(4.2%)	4.2%	
	Domestic	71	23	94	80	22	102	(9)	1	(8)
	Overseas	88	30	118	84	27	111	4	3	7
Total	Total	159	53	212	164	49	213	(5)	4	(1)
	Share (%)	75.0%	25.0%	100.0%	77.0%	23.0%	100.0%	(2.0%)	2.0%	
	Domestic	226	59	285	264	50	314	(38)	9	(29)
Total	Overseas	269	72	341	274	63	337	(5)	9	4
	Total	495	131	626	538	113	651	(43)	18	(25)
	Share (%)	79.1%	20.9%	100.0%	82.6%	17.4%	100.0%	(3.6%)	3.6%	

Profits/Losses of Group Companies Reporting Profits/Losses

		(Unit: billion yen)								
		2008			2007			Increase (Decrease)		
		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Subsidiaries	Domestic	42.5	(11.8)	30.6	46.4	(8.6)	37.8	(4.0)	(3.2)	(7.2)
	Overseas (**)	104.5	(8.0)	96.5	80.6	(2.0)	78.7	23.9	(6.0)	17.8
	Total	147.0	(19.8)	127.2	127.0	(10.5)	116.5	19.9	(9.2)	10.7
Equity-method associated companies	Domestic	(*) 57.9	(13.1)	44.8	39.1	(*) (45.7)	(6.6)	18.8	32.6	51.4
	Overseas	15.7	(3.7)	12.0	16.3	(1.6)	14.6	(0.5)	(2.1)	(2.6)
	Total	(*) 73.6	(16.8)	56.8	55.3	(*) (47.3)	8.0	18.3	30.5	48.8
Total	Domestic	(*) 100.3	(24.9)	75.5	85.5	(*) (54.3)	31.2	14.9	29.4	44.2
	Overseas	120.2	(11.7)	108.5	96.9	(3.6)	93.3	23.4	(8.1)	15.2
	Total	(*) 220.6	(36.6)	184.0	182.3	(*) (57.9)	124.5	38.2	21.3	59.5

(**)Results of "Overseas trading subsidiaries" which are included in the above "Overseas" are as follows;

	2008			2007			Increase (Decrease)		
	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Overseas trading subsidiaries	23.6	(0.5)	23.1	23.1	(0.3)	22.8	0.5	(0.2)	0.3

Major New Group Companies

Business Field	Name	Country	Voting Shares	Categories
Textile	IP.JAQ KNITTING LIMITED	Bangladesh	(80.0%)	Manufacture and sale of knitwear
Textile	CHESTER BARRIE LIMITED	U.K.	(100.0%)	Sale of textile products
Machinery	NAES Canada Ltd.	Canada	(100.0%)	Operation, maintenance and repair services of power plant
Machinery	Akebono Corporation (North America)	U.S.A.	(20.0%)	Subsidiary controlling company in manufacturing brake units
Machinery	Solar Depot, LLC	U.S.A.	(100.0%)	System integrator of solar electric
Machinery	DAIDO INDUSTRIA DE CORRENTES DA AMAZONIA LTDA.	Brazil	(39.0%)	Manufacture of motor cycle and industrial chains
Machinery	SUZUKI MALAYSIA AUTOMOBILE Sdn.Bhd.	Malaysia	(20.0%)	Import and distribution of Suzuki automobile
Energy	CIECO E&P(Namibia) Co.,Ltd.	Japan	(53.1%)	Upstream development of crude oil & gas
Chemicals	SUMIKA POLYMER COMPOUNDS (EUROPE) LTD	U.K.	(25.0%)	Manufacture and sale of resin compounds
Chemicals	NCT HOLLAND B.V.	Netherlands	(40.0%)	Wholesale of plastic resins
Chemicals	NARENDRA PLASTIC PVT.LTD.	India	(29.9%)	Manufacture and sale of plastic bags
Food	E-FOOD Service Co., Ltd.	Taiwan	(80.0%)	Wholesale of foods
Food	Japan Nutrition Co.,Ltd.	Japan	(100.0%)	Product and sale of functional feed

Performance of Group Companies (2)

Years ended March 31, 2008 and 2007

Major Group Companies

(Unit: billion yen)

	Name	Shares	Method of Consolidation	ITOCHU's share of Net income (*1)		Categories
				2008	2007	
Textile	JOIX CORPORATION	100.0%	Consolidation	0.9	1.1	Manufacture, Retail and Sale of men's apparel
	Prominent Apparel Ltd. (Hong Kong)	100.0%	Consolidation	0.6	0.6	Production control and wholesale of textile and apparel
	ITOCHU TEXTILE (CHINA) CO., Ltd. (China)	100.0%	Consolidation	0.9	0.9	Production control and wholesale of textile materials, fabrics and apparel
Machinery	ITOCHU Sanki Corporation	100.0%	Consolidation	0.4	0.4	Import/Export and domestic sale of industrial machinery
	ITOCHU CONSTRUCTION MACHINERY CO., LTD.	100.0%	Consolidation	0.8	0.7	Sale and rental of construction machinery
	MCL Group Limited. (*3) (U.K.)	100.0%	Consolidation	(2.6)	(0.4)	Warehousing, retail and financing of motor vehicles
	ITOCHU Automobile America Inc. (U.S.A.)	100.0%	Consolidation	0.6	1.2	Retail, distribution, and trade of motor vehicles
	Century Leasing System, Inc.	20.3%	Equity	(*2)	1.6	Comprehensive leasing business
Aerospace, Electronics & Multimedia	ITOCHU Techno-Solutions Corporation	51.3%	Consolidation	(*2) (*4) 7.4		System consultation, integration, administration, maintenance, support, training and outsourcing
	Excite Japan Co., Ltd.	59.3%	Consolidation	(*2)	0.2	Internet directory service, information searching and providing service
	ITC NETWORKS CORPORATION	60.7%	Consolidation	(*2)	1.8	Sale of mobile phone units, mobile phone related solution business
	NANO Media Inc.	51.4%	Consolidation	(*2)	0.1	Content publishing, mobile site operation and application development
	SPACE SHOWER NETWORKS INC.	50.8%	Consolidation	0.2	0.2	Music channel on cable/satellite television
	JAMCO Corporation	33.3%	Equity	(*2)	0.2	Maintenance of aircraft and manufacture of aircraft interior
	SUNCALL CORPORATION	21.3%	Equity	(*2)	0.5	Manufacturing and sale of optical communication devices, electronic devices, and assembly
Energy, Metals & Minerals	ITOCHU Non-Ferrous Materials Co., Ltd. (*5)	100.0%	Consolidation	1.4	1.2	Import/ Export and wholesale of non-ferrous/light metals and products
	ITOCHU Petroleum Japan Ltd.	100.0%	Consolidation	3.6	5.1	International trade of crude oil and petroleum products, charter and operation of oil tankers, sale of bunker fuel oil, operation of oil storage facilities
	ITOCHU Minerals & Energy of Australia Pty Ltd (*7) (Australia)	100.0%	Consolidation	38.5	28.9	Investment in projects of iron ore, coal and bauxite mining, manufacture of alumina and oil exploration
	ITOCHU Oil Exploration (Azerbaijan) Inc. (Cayman)	100.0%	Consolidation	33.4	21.2	Exploration and production of crude oil and gas
	Marubeni-Itochu Steel Inc.	50.0%	Equity	16.9	16.8	Import/Export and wholesale of steel products
	ITOCHU ENEX CO., LTD.	39.2%	Equity	(*2)	2.0	Wholesale of petroleum products and high pressure gas
Chemicals, Forest Products & General Merchandise	ITOCHU Kenzai Corp.	86.9%	Consolidation	0.3	2.4	Wholesale of wood products and building materials
	ITOCHU Pulp & Paper Corp.	100.0%	Consolidation	0.6	0.8	Wholesale of paper, paperboards, and various paper materials
	ITOCHU CHEMICAL FRONTIER Corporation	96.2%	Consolidation	1.8	1.8	Wholesale of fine chemicals and related raw materials
	ITOCHU PLASTICS INC.	100.0%	Consolidation	3.1	3.2	Wholesale of plastics and related products
	DAIKEN CORPORATION	19.6%	Equity	(*2)	(1.1)	Manufacture and sale of building materials
	TAKIRON Co., Ltd.	26.9%	Equity	(*2)	0.5	Manufacture, processing and sale of plastic products
	C.I. KASEI Co., Ltd.	36.1%	Equity	(*2)	0.3	Manufacture and sale of plastic products
Food	ITOCHU SHOKUHIN Co., Ltd.	50.9%	Consolidation	(*2)	1.4	Wholesale of foods and liquor
	NIPPON ACCESS, INC.	69.8%	Consolidation	(*2) (*6) 2.4		Wholesale and distribution of foods
	YOSHINOYA HOLDINGS CO., LTD.	21.0%	Equity	0.1	0.4	Wide-ranging operation of food service business
	Japan Foods Co., Ltd.	34.7%	Equity	0.1	0.1	Production on consignment and sale of soft drinks
	Fuji Oil Co., Ltd.	25.6%	Equity	(*2)	0.8	Integrated manufacturer of cooking oil and soybean protein
	FamilyMart Co., Ltd.	31.0%	Equity	4.9	4.7	Operation of a convenience store chain
	Prima Meat Packers, Ltd.	39.8%	Equity	(*2)	1.6	Production and sale of meat, ham, sausage and processed foods
Finance, Realty, Insurance & Logistics Services	ITOCHU Finance Corporation	99.1%	Consolidation	(7.0)	2.3	Loan and other finance-related business
	CENTURY 21 REAL ESTATE OF JAPAN LTD.	55.3%	Consolidation	0.4	0.4	Headquarters of real estate franchise system
	FX PRIME Corporation	81.5%	Consolidation	0.7	0.1	Foreign exchange margin trade
	Orient Corporation	32.2%	Equity	(*2)	(40.6)	Consumer credit
	i-LOGISTICS CORP.	49.4%	Equity	(*2)	0.4	Comprehensive logistics services
	eGuarantee, Inc.	31.7%	Equity	(*2)	0.1	B to B credit guarantee service
Other	Century Medical, Inc.	100.0%	Consolidation	0.2	0.2	Import and wholesale of medical equipment and materials
Overseas trading subsidiaries	ITOCHU International Inc. (*8) (U.S.A.)	100.0%	Consolidation	10.2	12.8	U.S. trading subsidiary
	ITOCHU Europe PLC. (*3) (U.K.)	100.0%	Consolidation	1.2	0.2	European trading subsidiary
	ITOCHU Hong Kong Ltd. (Hong Kong)	100.0%	Consolidation	2.5	2.5	Hong Kong trading subsidiary
	ITOCHU (China) Holding Co., Ltd. (China)	100.0%	Consolidation	2.8	2.3	China trading subsidiary
	ITOCHU Australia Ltd. (*7) (Australia)	100.0%	Consolidation	1.9	1.5	Australian trading subsidiary

 (*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.

(*2) Please refer to the results announced by each company on and after April 30, 2008. (ITOCHU's announcement date)

Also, please see "(note)" in page 3 for Orient Corporation.

(*3) The net income of ITOCHU Europe PLC. Includes 8.6% of that of MCL Group Limited.

(*4) The net income of ITOCHU Techno-Solutions Corporation for fiscal year 2007 includes that of CRC Solutions Corp.

(*5) ITOCHU Non-Ferrous Materials Co., Ltd. changed the name to ITOCHU Metals Corporation on Apr 1, 2008.

(*6) The net income of NIPPON ACCESS, INC. for fiscal year 2007 includes that of NISHINO TRADING CO., Ltd.

Performance of Group Companies (3)

Years ended March 31, 2008 and 2007

Major Group Companies Reporting Profits

(Unit: billion yen)

Name	Segment (*10)	Shares	ITOCHU's share of Net income (*1)		Comments
			2008	2007	
[Domestic subsidiaries]					
ITOCHU Petroleum Japan Ltd.	Ene	100.0%	3.6	5.1	Decrease due to absence of gain on disposal of investments and marketable securities in the previous fiscal year
ITOCHU PLASTICS INC.	Che	100.0%	3.1	3.2	Almost unchanged as a result of good performance in plastic materials sales offset by absence of gain on disposal of investments and marketable securities in the previous fiscal year
ITOCHU CHEMICAL FRONTIER Corporation	Che	96.2%	1.8	1.8	Good performance due to continued high prices in polymer materials
ITOCHU Non-Ferrous Materials Co., Ltd.	(*5) Ene	100.0%	1.4	1.2	Increase due to gain on disposal of investments and marketable securities and increased dividends received despite impairment of marketable securities own
Godo Kaisya Faburikusu	Fin	100.0%	1.1	0.0	Increase due to gain on disposal of owned real estate
JOIX CORPORATION	Tex	100.0%	0.9	1.1	Decrease due to higher cost from opening new shops despite increased sales of men's apparel
ITOCHU CONSTRUCTION MACHINERY CO., LTD.	Mac	100.0%	0.8	0.7	Steady growth due to rental revenue increase
JAPAN AEROSPACE CORPORATION	Aer	100.0%	0.8	0.6	Increase as a result of spot trading of hazardous material detectors
ITOCHU Automobile Corporation	Mac	100.0%	0.8	0.7	Increase due to sales increase in parts and equipments
FX PRIME Corporation	Fin	81.5%	0.7	0.1	Increase due to increased members and transaction volume
[Overseas subsidiaries]					
ITOCHU Minerals & Energy of Australia Pty Ltd	(*7)(Australia) Ene	100.0%	38.5	28.9	Increase due to increased shipping of iron ore and partial sales of coal mining interests
ITOCHU Oil Exploration (Azerbaijan) Inc.	(Cayman) Ene	100.0%	33.4	21.2	Increase of sales volume accompanied by oil production volume increase in addition to higher prices of crude oil.
ITOCHU International Inc.	(*8)(U.S.A.) Ove	100.0%	10.2	12.8	Decrease due to less net income related to businesses in materials for facilities and house building
PrimeSource Building Products, Inc.	(*8)(U.S.A.) Che	100.0%	6.4	7.4	Decrease due to the impact of decreased number of house building starts in U.S.
ITOCHU (China) Holding Co., Ltd.	(China) Ove	100.0%	2.8	2.3	Increase due to good performance in chemicals and non-ferrous products trading
ITOCHU Hong Kong Ltd.	(Hong Kong) Ove	100.0%	2.5	2.5	Steady growth in financial businesses
ITOCHU Australia Ltd.	(*7)(Australia) Ove	100.0%	1.9	1.5	Increase due to increased net income related to natural resource development business
CIECO Energy (UK) Limited	(U.K.) Ene	100.0%	1.7	1.6	Almost unchanged as a result of natural reduction in production and increased operation cost offset by higher oil price
ITOCHU Singapore Pte, Ltd.	(Singapore) Ove	100.0%	1.6	1.0	Increase due to favorable transactions in cement and paper products
ITOCHU (THAILAND) LTD.	(Thailand) Ove	100.0%	1.2	0.9	Increase due to good sales in aluminum parts and gain on disposal of investments and marketable securities
ITOCHU Europe PLC.	(*3)(U.K.) Ove	100.0%	1.2	0.2	Increase due to chemical transactions as well as restored food transactions
[Domestic equity-method associated companies]					
Marubeni-Itochu Steel Inc.	Ene	50.0%	16.9	16.8	Steady growth in transactions of automobiles, steel pipes, ship production, and construction machinery despite slump in building materials business in the U.S.
FamilyMart Co., Ltd.	Fod	31.0%	4.9	4.7	Steady growth due to increased customers and increase in daily sales in existing stores
Japan Brazil Paper and Pulp Resources Development Co., Ltd	Che	25.9%	1.7	1.8	Decrease from the impact of higher Brazil Real despite higher market prices in pulp and increased trading profit from production increase
AI Beverage Holding Co., Ltd.	Fod	20.0%	1.7	1.3	Favorable sales in tea drinks
Japan Ohanet Oil & Gas Co., Ltd.	Ene	35.0%	0.9	0.9	Steady growth supported by stable production of natural gas

Major Group Companies Reporting Losses

(Unit: billion yen)

Name	Segment (*10)	Shares	ITOCHU's share of Net income (*1)		Comments
			2008	2007	
[Domestic subsidiaries]					
ITOCHU Finance Corporation	Fin	99.1%	(7.0)	2.3	Significant decrease due to absence of last year's gain on disposal of investments and marketable securities in addition to impairment on investment in associated companies and bad debt loss
ITOCHU Property Development, Ltd.	Fin	99.9%	(4.4)	0.7	Worsened due to impairment/disposal loss recognized on real estate for sale in long-term development as a result of sales policy change for long-term development projects
I.C.S. Co., Ltd.	Che	95.0%	(0.8)	(0.3)	Worsened due to expenses from removal and renovation of some stores
Wellness Communications Corporation	Aer	100.0%	(0.3)	(0.1)	Worsened resulting from shift to full-scale operation accompanied by preceding expenses
[Overseas subsidiaries]					
MCL Group Limited.	(*3)(U.K.) Mac	100.0%	(2.6)	(0.4)	Worsened due to impairment of goodwill
Am-Pac Tire Distributors, Inc.	(*8)(U.S.A.) Che	100.0%	(1.6)	0.0	Worsened due to impairment of goodwill
CIECO Energy (US) Limited	(U.S.A.) Ene	100.0%	(1.4)	0.0	Deficit recorded due to loss from realized drilling cost
ITC VENTURES VIII, INC	(U.S.A.) Aer	98.1%	(0.6)	(0.2)	Worsened fund management
CIPA LUMBER CO., LTD.	(Canada) Che	100.0%	(0.5)	0.4	Worsened due to temporary loss from such as the impact of decreased house building starts in North America, devaluation loss on inventories and production halt resulting from strike
[Domestic equity-method associated companies]					
On Demand TV, Inc.	Aer	(*9)44.0%	(1.3)	(1.8)	Decreased share of loss due to business transfer
CIECO E&P(Namibia) Co.,Ltd.	Ene	26.7%	(1.0)	-	Deficit recorded due to loss from realized drilling cost
[Overseas equity-method associated companies]					
P.T. PEMBANGUNAN DELTAMAS P.T. PURADELTA LESTARI	(Indonesia) Fin	25.0%	(0.4)	(0.2)	Worsened due to exchange loss of Indonesian Rupiah

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

(*8) The net income of ITOCHU International Inc. includes 80.0% of that of PrimeSource Building Products, Inc. and 40.0% of that of Am-Pac Tire Distributors, Inc.

(*9) On Demand TV, Inc left from group in the 4th quarter of fiscal 2008, 44.0% is share in the 3rd quarter of fiscal 2008.

 (*10) Tex : Textile
 Mac : Machinery
 Aer : Aerospace, Electronics & Multimedia
 Ene : Energy, Metals & Minerals
 Che : Chemicals, Forest Products & General Merchandise
 Fod : Food
 Fin : Finance, Realty, Insurance & Logistics Services
 Ove : Overseas trading subsidiaries

Management Policy

Enhancing Corporate Value on the World Stage

ITOCHU has set out on the new two years mid-term management plan, "Frontier + 2008 - Enhancing Corporate Value on the World Stage -" since fiscal 2008. In "Frontier+ 2008", ITOCHU has worked based on its basic policy of aiming to become "a Global Enterprise, highly attractive to all stakeholders" while striving to be more aggressive.

The following is some of the achievements accomplished in fiscal 2008:

Consumer and Retail related area: in Textile, ITOCHU, as an engagement in new business, participated in investment in a TV shopping provider, PRIME NETWORK INC., aiming at establishing one of the sales channels and creating a synergy throughout the Group. In high-technology area, business using SHU-HOU's curved surface printing technology has got on track with successful expansion. In addition, brand businesses such as Paul Smith and LeSportsac which have been large M&A projects since fiscal 2005 has grown to be major source of ITOCHU's revenue. LeSportsac has accelerated its overseas operations especially in China.

In Food, the merger between NIPPON ACCESS INC., which was turned into a subsidiary in the previous fiscal year, and another subsidiary, NISHINO TRADING CO. Ltd. has completed to establish one of the top class nation-wide distribution networks covering all ranges of temperature. For overseas activities, in cooperation with an associated company, Prima Meat Packers, Ltd., ITOCHU has built in Thailand one of the largest food processing factories in Asia to secure food resources and to prevent the risk arising from the concentration of production area.

Natural Resource Development: ITOCHU has decided on prior investment in iron-ore development in west Australia for enhancing supply capacity. Also, in the Gulf of Mexico, one of the Group companies, CIECO Energy (US) Limited has acquired interests of crude oil and natural gas from Range Resources Corporation and has agreed with Callon Petroleum Company to acquire interests of Entrada oil and gas field. In Trading area, in order to strengthen recycling business and to promote further business expansion in non-ferrous metal materials transactions, ITOCHU Non-Ferrous Materials Co., Ltd. has succeeded to the metal material business and changed its name into ITOCHU Metals Corporation.

In Energy area, ITOCHU has decided to centralize petroleum product businesses such as domestic sales of kerosene and light oil etc., import and export of marine fuel transactions, which are currently distributed among individual Group companies, in ITOCHU ENEX CO., Ltd. in this October. By this centralization, ITOCHU will strengthen the domestic business and accelerate overseas operations.

Other areas: in Machinery, a North American subsidiary Tyr Energy, Inc. purchased the entire interests of Chesapeake Power Station in Virginia. Also, in March 2008, ITOCHU concluded a joint-venture contract with SUZUKI MOTOR CORPORATION to take a stake in a local distributor of Suzuki 4-wheel vehicles, SUZUKI MALAYSIA AUTOMOBILE Sdn. Bhd. In Chemical area, ITOCHU has concluded a comprehensive partnership in plastic film business by investing in Narendra Plastic Pvt. Ltd., a leading manufacturer of plastic films in India, to enter Indian market showing expansion in this business area. In Mobile business, ITC NETWORKS CORPORATION merged Idomco Communications Co., Ltd. to enhance businesses mainly in corporate user division.

As part of the prioritized area for new business ventures, "L-I-N-E-s"(See Note) in Environment and New Energy area, ITOCHU has promoted business engagement in photovoltaic by acquiring Solar Depot, LLC, which accounts for one of the largest shares in selling solar power systems for residential use, and by increasing a stake in a Norwegian silicon wafer manufacturer, NorSun AS which ITOCHU started participation in their management.

For human resources strategy with global perspective, ITOCHU has set up Global Human Resource Development Centers in North America, Europe, Asia and China with its headquarters in Tokyo with a view to "seeking, fostering and utilizing the talents of personnel worldwide", so as to foster and identify human resources at global level.

(Note) "L-I-N-E-s" refers to the following four business areas plus "s" for synergy meaning cross-sectional business engagement: Life care (medical services and health related businesses), Infrastructure (functional infrastructure of IT, LT, and FT, and social infrastructure related businesses), New Technologies & Materials (bio- and nano- technologies), and Environment & New Energy (bioethanol and photovoltaic generation).

Tasks to accomplish: "Frontier+ 2008"

In fiscal 2009, the last year of mid-term management plan "Frontier+ 2008", ITOCHU has decided to add "implementation of the measures for becoming a truly global enterprise" to the basic policies introduced last year while continuing working on the basic policies, in order to strengthen the engagement in the plan.

Firstly, "Expansion of business areas and further strengthening of core businesses".

ITOCHE takes actions to reinforce in "opening up new areas" and further promote "to accelerate overseas operations" for achieving sustainable high growth as Global Enterprise. Furthermore, in "strengthening core businesses", ITOCHU continues to prioritize growth rate and to promote strategic investments in profitable opportunities and sustainable growth. Second, "Solid management".

ITOCHE continues to improve its financial position and to proceed with better risk management. For enhancing the transparency of decision-making process and implementing more effective and efficient corporate governance with proper check and monitor system, ITOCHU makes every effort to manage the board of directors and to make appropriate decision-making conducted by them. For internal control, ITOCHU continues to carry out efficient improvement and management under the efficient management system. For penetration of the compliance program, ITOCHU ensures to improve it so as to grasp facing situation more precisely and to take the most appropriate measures. For CSR (Corporate Social Responsibility) activities, ITOCHU is engaged in enterprise-wide, cross-sectional efforts and expands such engagement to overseas and Group companies. Also, taking this year of ITOCHU's 150 years-anniversary since establishment as a good opportunity, ITOCHU boosts up contribution activities to society. In a work reformation project, "ITOCHE DNA Project", ITOCHU has been making process with more efficiency, and is planning to proceed forward to the next phase for completion of development of the most supportive program.

Thirdly, "Taking actions in human resources strategy with global perspective".

In the previous fiscal year, ITOCHU created the human resource strategy with global perspective across the Group worldwide, and promoted variety of measures and modification of the personnel system for diversified and global talent with a view to "seeking, fostering and utilizing the talents of personnel worldwide" In fiscal 2009, ITOCHU further promotes those measures as well as focuses on work-life balance to actualize this human resource strategy.

With all above mentioned, as a truly global enterprise, ITOCHU enhances corporate value to reward its stake holders and contributes to regional and global societies including proactive actions to global environmental issues.

(Additional Info) In fiscal 2008, a case was revealed where a former ITOCHU employee had committed improper accounting treatment in transactions of foreign-made beverage-use ethanol for substantially long time resulting in accumulated effect of 3,765 million yen. To prevent recurrence of these cases, ITOCHU has decided on taking measures to make all employees thoroughly aware of compliance, implement personnel reassignment periodically and strictly, strengthen supervisory framework covering segregation of duties, and ensure the controlling processes for individual transactions.

Dividend policy

ITOCHE maintains and reinforces its competitive power as well as increases stockholders' equity by retaining earnings to promote growth strategies. ITOCHU's basic policy regarding dividend payments is a consistent and stable distribution of returns to the stockholders considering its business performance.

Through "Frontier+ 2008", ITOCHU increases dividend amount gradually and aims to improve consolidated dividend payout ratio, while improving parent company's stockholders' equity. ITOCHU holds the policy regarding dividend payments in fiscal 2009 as well.

Outlook for Fiscal 2009

Forecast of annual consolidated operation for fiscal 2009

Viewing the business environment of the fiscal 2009, U.S. economy is expected to have prolonged business stagnation though some effect may be in sight from lowered short-term interest rate and tax reduction.

Economies of Europe and emerging countries are also expected to slow down due to higher commodity prices and sluggish U.S. economy.

Regarding Japanese economy, low growth rate is expected to continue due to increase declining in export and capital investment while increase in personal consumption is anticipated led by restoration of housing investment and mild improvement for employment environment. Furthermore, sufficient attention may be required for a worldwide downturn of economy due to possibility of loss increase related to subprime loan.

Under these circumstances, ITOCHU expects consolidated total trading transactions of 12.8 trillion yen for the fiscal year ending March 2009, with a consolidated net income of 240.0 billion yen.

For your attention, these forecasts are forward looking statements that are based on the management's assumptions and beliefs based on information currently available and involve risks and uncertainties.

Thus, the actual results could be substantially different from the above statement due to such factors including, but not limited to, global economic and market conditions, and currency exchange rate fluctuations.

Fiscal 2009 forecasts, ending March 31, 2009

Consolidated	2009 Forecast	2008 Result
Total trading transactions	12.8 trillion yen	12.4 trillion yen
Gross trading profit	1,100.0 billion yen	995.9 billion yen
Selling, general and administrative expenses	(765.0)	(723.4)
Provision for doubtful receivables	(5.0)	(6.0)
Net interest expenses	(35.0)	(32.2)
Dividends received	25.0	24.4
Other-net	0.0	23.9
Income before income taxes, minority interests and equity in earnings (losses) of associated companies	320.0	282.7
Income taxes	(127.0)	(122.0)
Income before minority interests and equity in earnings (losses) of associated companies	193.0	160.7
Minority interests	(17.0)	(12.4)
Equity in earnings (losses) of associated companies	64.0	70.2
Net income	240.0	218.6

	2009 Forecast	2008 Result
Total assets	5,800.0 billion yen	5,255.4 billion yen
Gross interest-bearing debt	2,300.0	2,104.4
Net interest-bearing debt	1,900.0	1,654.5
Total stockholders' equity	1,180.0	978.5

(Note)

Foreign exchange rate (Yen/US\$)	100.00	115.56
Crude oil (Brent) (US\$/BBL) (Jan-Dec)	84.00	72.67

Fiscal 2009 consolidated forecasts (April 2008 - March 2009) distribution of the current fiscal year's profit

ITOCHU plans to increase by 1 yen to 18 yen dividend payment per share for the fiscal year ended March 2008 (Interim 8.5 yen dividend was already paid) compared with the former announcement, 17 yen per share.

For the fiscal year ending March 2009, ITOCHU intends to make a 21 yen dividend payment per share (10.5 yen for the interim, 10.5 yen for the year-end).

Major Group Companies' forecasts of fiscal 2009

ITOCHU's major group companies' forecasts of fiscal 2009 are as follows.

As for listed group companies which are scheduled to announce their forecasts of fiscal 2009 on and after April 30, please refer to their own announcements.

The following list is to be updated after all major group companies finish announcement of their forecasts of fiscal 2009 (scheduled around end of May), and is to be uploaded into ITOCHU website accordingly.

(Unit: billion yen)

【Major Group Companies' (unlisted companies) forecasts of fiscal 2009】				
	Name	Shares	ITOCHU's share of Net income [Forecasts]	ITOCHU's share of Net income [Fiscal 2008] (Note 2)
Textile	JOIX CORPORATION	100.0%	1.0	0.9
	Prominent Apparel Ltd. (Hong Kong)	100.0%	0.6	0.6
	ITOCHU TEXTILE (CHINA) CO., Ltd. (China)	100.0%	0.9	0.9
Machinery	ITOCHU Sanki Corporation	100.0%	0.4	0.4
	ITOCHU CONSTRUCTION MACHINERY CO., LTD.	100.0%	0.8	0.8
	MCL Group Limited. (U.K.)	100.0%	0.0	(2.6)
	ITOCHU Automobile America Inc. (U.S.A.)	100.0%	0.5	0.6
Energy, Metals & Minerals	ITOCHU Non-Ferrous Materials Co., Ltd.	100.0%	1.3	1.4
	ITOCHU Petroleum Japan Ltd.	100.0%	2.0	3.6
	ITOCHU Minerals & Energy of Australia Pty Ltd (Australia)	100.0%	71.3	38.5
	ITOCHU Oil Exploration (Azerbaijan) Inc. (Cayman)	100.0%	17.4	33.4
	Marubeni-Itochu Steel Inc.	50.0%	15.0	16.9
Chemicals, Forest Products & General Merchandise	ITOCHU Kenzai Corp.	86.9%	0.9	0.3
	ITOCHU Pulp & Paper Corp.	100.0%	0.9	0.6
	ITOCHU CHEMICAL FRONTIER Corporation	96.2%	1.8	1.8
	ITOCHU PLASTICS INC.	100.0%	3.1	3.1
Finance, Realty, Insurance & Logistics Services	ITOCHU Finance Corporation	99.1%	0.3	(7.0)
	FX PRIME Corporation	81.5%	0.7	0.7
Other	Century Medical, Inc.	100.0%	0.3	0.2
Overseas	ITOCHU International Inc. (U.S.A.)	100.0%	10.2	10.2
	ITOCHU Europe PLC. (U.K.)	100.0%	1.5	1.2
	ITOCHU Hong Kong Ltd. (Hong Kong)	100.0%	2.6	2.5
	ITOCHU (China) Holding Co., Ltd. (China)	100.0%	3.2	2.8
	ITOCHU Australia Ltd. (Australia)	100.0%	2.9	1.9

(Unit: billion yen)

【Major Group Companies' (listed companies) forecasts of fiscal 2009】						
	Name	(Expected) Date of Announcement	Companies' Forecasts	Shares	ITOCHU's share of Net income [Forecasts] (Note 1)	ITOCHU's share of Net income [Fiscal 2008] (Note 2)
Machinery	Century Leasing System, Inc.	May.2	(Note 3)	20.3%	(Note 3)	(Note 2)
Aerospace, Electronics & Multimedia	ITOCHU Techno-Solutions Corporation	Apr.30	(Note 3)	51.3%	(Note 3)	(Note 2)
	Excite Japan Co., Ltd.	May.9	(Note 3)	59.3%	(Note 3)	(Note 2)
	ITC NETWORKS CORPORATION	Apr.30	(Note 3)	60.7%	(Note 3)	(Note 2)
	NANO Media Inc.	Apr.30	(Note 3)	51.4%	(Note 3)	(Note 2)
	SPACE SHOWER NETWORKS INC.	Apr.28	0.3	50.8%	0.1	0.2
	JAMCO Corporation	May.8	(Note 3)	33.3%	(Note 3)	(Note 2)
	SUNCALL CORPORATION	May.15	(Note 3)	21.3%	(Note 3)	(Note 2)
Energy, Metals & Minerals	ITOCHU ENEX CO., LTD.	May.2	(Note 3)	39.2%	(Note 3)	(Note 2)
Chemicals, Forest Products & General Merchandise	DAIKEN CORPORATION	May.12	(Note 3)	19.6%	(Note 3)	(Note 2)
	TAKIRON Co., Ltd.	May.13	(Note 3)	26.9%	(Note 3)	(Note 2)
	C.I. KASEI Co., Ltd.	May.21	(Note 3)	36.1%	(Note 3)	(Note 2)
Food	ITOCHU SHOKUHIN Co., Ltd.	May.12	(Note 3)	50.9%	(Note 4)	(Note 2)
	YOSHINOYA HOLDINGS CO., LTD.	Apr.15	2.5	21.0%	0.5	0.1
	Japan Foods Co., Ltd.	Apr.28	0.7	34.7%	0.2	0.1
	Fuji Oil Co., Ltd.	May.8	(Note 3)	25.6%	(Note 3)	(Note 2)
	FamilyMart Co., Ltd.	Apr.10	16.6	31.0%	5.2	4.9
	Prima Meat Packers, Ltd.	May.16	(Note 3)	39.8%	(Note 3)	(Note 2)
Finance, Realty, Insurance & Logistics Services	CENTURY 21 REAL ESTATE OF JAPAN LTD.	Apr.24	0.7	55.3%	0.4	0.4
	Orient Corporation	May.15	(Note 3)	32.2%	(Note 5)	(Note 2)
	i-LOGISTICS CORP.	Apr.30	(Note 3)	49.4%	(Note 3)	(Note 2)
	eGuarantee, Inc.	May.14	(Note 3)	31.7%	(Note 3)	(Note 2)

(Note 1) ITOCHU's share of Net income [Forecasts] for Major listed Group Companies described above exclude U.S. GAAP adjustments.

(Note 2) ITOCHU's share of Net income [Fiscal 2008] are the figures after adjusting to U.S. GAAP. As for listed group companies which are scheduled to announce their results of fiscal 2008 on and after April 30, please refer to the updated information to be released through ITOCHU website around end of May.

(Note 3) Please refer to the forecasts to be announced by each listed company, or the updated information to be uploaded to ITOCHU website around end of May.

(Note 4) The fiscal year of ITOCHU SHOKUHIN Co., Ltd. ends in September, which is different from that of ITOCHU. As ITOCHU's accounting policy, the total of second half of the previous fiscal year and the first half of the current fiscal year for ITOCHU SHOKUHIN Co., Ltd. is recognized in the consolidated financial statements. Therefore, since the figure obtained by multiplying the company's announced annual estimated income by its share does not show the corresponding ITOCHU's estimated income for this fiscal year, ITOCHU refrains from describing the figure.

(Note 5) ITOCHU has adopted U.S. GAAP, which prescribes a substantial number of different accounting treatments from Japanese GAAP with regard to financial transactions for consumer credit companies. Therefore, for Orient Corporation, ITOCHU has declined to announce the figures in the above table since a discrepancy may occur between the estimation announced by the said company and that of ITOCHU, which is calculated by multiplying the figures after U.S. GAAP adjustments by the share.

Consolidated Statements of Operations [Condensed]

-Unaudited-

ITOCHU Corporation and Subsidiaries

Years ended March 31, 2008 and 2007

	Millions of Yen		Millions of U.S. dollars
	2008	2007	2008
Revenue:			
Sales revenue.....	¥ 2,233,523	¥ 2,094,850	\$ 22,293
Trading margins and commissions on trading transactions.....	627,687	552,352	6,265
(Total trading transactions : 2008: 12,412,456 million yen (123,889 million U.S.dollars) 2007: 11,579,059 million yen)			
Total revenue.....	2,861,210	2,647,202	28,558
Cost of sales.....	(1,865,306)	(1,738,526)	(18,618)
Gross trading profit	995,904	908,676	9,940
Selling, general and administrative expenses.....	(723,403)	(639,121)	(7,220)
Provision for doubtful receivables.....	(5,977)	(4,934)	(60)
Interest income.....	17,829	16,117	178
Interest expense.....	(49,985)	(45,335)	(499)
Dividends received.....	24,447	21,663	244
Gain on disposal of investments and marketable securities, net of write-down.....	16,384	46,850	164
Gain (loss) on property and equipment-net.....	6,675	(6,785)	67
Other-net.....	833	3,099	8
	(713,197)	(608,446)	(7,118)
Income before income taxes, minority interests and equity in earnings (losses) of associated companies.....	282,707	300,230	2,822
Income taxes.....	(122,000)	(88,926)	(1,218)
Income before minority interests and equity in earnings (losses) of associated companies.....	160,707	211,304	1,604
Minority interests.....	(12,360)	(14,176)	(123)
Equity in earnings (losses) of associated companies.....	70,238	(20,069)	701
Net income.....	¥ 218,585	¥ 177,059	\$ 2,182

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.

[Explanation for Consolidated Statements of Operations]

Revenue	(Unit : billion yen)			Increase	<u>Reasons for changes</u> Higher price of crude oil and increase in crude oil transaction volume following expansion of production in the oil fields owned, increase in automobile transactions to emerging countries, and increase from turning NIPPON ACCESS, INC. into a consolidated subsidiary
	Revenue	<u>2008</u> 2,861.2	<u>2007</u> 2,647.2	(Decrease) 214.0	
Gross trading profit	(Unit : billion yen)			Increase	Increase due to good performance in ITOCHU Corporation and existing subsidiaries : +26.0 Effect from NIPPON ACCESS, INC. into a consolidated subsidiary and increase in joining of subsidiaries : +63.9 Decrease due to leaving of subsidiaries : -14.2 Improvement due to exchange rate fluctuations : +11.5 Refer to page 28-29 "Operating Segment Information"
	Gross trading profit	<u>2008</u> 995.9	<u>2007</u> 908.7	(Decrease) 87.2	
Selling, general and administrative expenses	(Unit : billion yen)			Increase	Increase accompanied by expansion of business in ITOCHU Corporation and existing subsidiaries : -28.6 Effect from NIPPON ACCESS, INC. into a consolidated subsidiary and increase in joining of subsidiaries : -63.5 Decrease due to leaving of subsidiaries : +12.8 Increase due to exchange rate fluctuations : -5.0
	Total of SG & A	<u>2008</u> (723.4)	<u>2007</u> (639.1)	(Decrease) (84.3)	
	Personnel expenses	<u>(277.8)</u>	<u>(255.8)</u>	<u>(22.0)</u>	
	Other expenses	<u>(445.6)</u>	<u>(383.3)</u>	<u>(62.3)</u>	
	(Service charge, distribution costs)	(240.3)	(192.1)	(48.2)	
	(Rent, depreciation and amortization)	(79.8)	(73.1)	(6.7)	
	(Travel expenses) (Others)	(25.4) (100.1)	(23.9) (94.2)	(1.4) (5.9)	
Provision for doubtful receivables	(Unit : billion yen)			Increase	Increase in allowance for doubtful receivables in subsidiaries
	Provision for doubtful receivables	<u>2008</u> (6.0)	<u>2007</u> (4.9)	(Decrease) (1.0)	
Net financial expenses	(Unit : billion yen)			Increase	Increase in Net interest expenses due to rising interest rate, despite of increase in Dividends
	Net financial expenses	<u>2008</u> (7.7)	<u>2007</u> (7.6)	(Decrease) (0.2)	
	Interest income	17.8	16.1	1.7	
	Interest expense	<u>(50.0)</u>	<u>(45.3)</u>	<u>(4.7)</u>	
	Net interest expenses	(32.2)	(29.2)	(2.9)	
Gain on disposal of investments and marketable securities, net of write-down	(Unit : billion yen)			Increase	Devaluation losses on securities -11.1 (-9.3 → -20.4) Net gains on disposal of securities and others -19.4 (56.1 → 36.8)
	Gain on disposal of investments and marketable securities, net of write-down	<u>2008</u> 16.4	<u>2007</u> 46.9	(Decrease) (30.5)	
Gain (loss) on property and equipment-net	(Unit : billion yen)			Increase	Net gain (loss) on disposal of property and equipment +12.7 (-0.4 → 12.3) : gain on disposal of coal mining interests and owned office buildings Impairment losses on property and equipment and others +0.8 (-6.4 → -5.6)
	Gain (loss) on property and equipment-net	<u>2008</u> 6.7	<u>2007</u> (6.8)	(Decrease) 13.5	
Other-net	(Unit : billion yen)			Increase	Due to worsened foreign currency exchange gains (losses)
	Other-net	<u>2008</u> 0.8	<u>2007</u> 3.1	(Decrease) (2.3)	
Income taxes	(Unit : billion yen)			Increase	Refer to Note 1
	Income taxes	<u>2008</u> (122.0)	<u>2007</u> (88.9)	(Decrease) (33.1)	
Minority interests	(Unit : billion yen)			Increase	
	Minority interests	<u>2008</u> (12.4)	<u>2007</u> (14.2)	(Decrease) 1.8	
Equity in earnings (losses) of associated companies	(Unit : billion yen)			Increase	Orient Corporation (Note1) / Equity in earnings of associated companies on ITOCHU Minerals & Energy of Australia Pty Ltd +1.6 (higher price of iron ore) / AI Beverage Holding Co., Ltd +0.4 / Mazda Canada Inc. -1.5(Note2) / kabu.com Securities Co., Ltd. -0.9(Note2) / CIECO E&P(Namibia) Co., Ltd. -1.0 (Newly established in FY 2008, realization of drilling cost) Refer to "Performance of Group Companies" in the part of "Major Group Companies Reporting Profits" and "Major Group Companies Reporting Losses" in page 12
	Equity in earnings (losses) of associated companies	<u>2008</u> 70.2	<u>2007</u> (20.1)	(Decrease) 90.3	

(Note 1) Please see explanation of (Note) in the part of "Summary of Operations / Operating Results" in page 3

(Note 2) ITOCHU Corporation ceased to pick-up equity profit (loss) of these companies for FY2008

Total trading transactions	(Unit : billion yen)			Increase	Refer to page 28-29 "Operating Segment Information" Effect of exchange rate fluctuations: Approximately -8.0		
	Total trading transactions	<u>2008</u> 12,412.5	<u>2007</u> 11,579.1	(Decrease) 833.4			
	Gross trading profit ratio	8.0%	7.8%	0.2%			
Adjusted profit	(Unit : billion yen)			Increase	Adjusted profit (+93.1)= Gross trading profit (+87.2)+ SG&A expenses (-84.3) + Net financial expenses (-0.2)+ Equity in earnings of associated companies (+90.3) The amount () presents changes from the previous fiscal year		
	Adjusted profit	<u>2008</u> 335.0	<u>2007</u> 241.9	(Decrease) 93.1			
	[Average exchange rate Yen/US\$]	[For March closing companies]	[For December closing companies]				
		<u>2008</u> 115.56	<u>2007</u> 117.32	<u>Changes</u> (1.76)	<u>2008</u> 118.21	<u>2007</u> 116.68	<u>Changes</u> 1.53
		<u>2007</u> 117.32	<u>2006</u> 112.28	<u>Changes</u> 5.04	<u>2007</u> 116.68	<u>2006</u> 109.03	<u>Changes</u> 7.65

Consolidated Balance Sheets (Assets) [Condensed]

ITOCHU Corporation and Subsidiaries

As of March 31, 2008 and 2007

-Unaudited-

Assets	Millions of Yen		Millions of U.S. dollars
	Mar. 2008	Mar. 2007	Mar. 2008
Current assets:			
Cash and cash equivalents.....	¥ 446,311	¥ 532,856	\$ 4,455
Time deposits.....	3,559	1,845	36
Marketable securities.....	30,776	31,161	307
Trade receivables:			
Notes.....	189,446	163,449	1,891
Accounts.....	1,391,211	1,273,464	13,886
Allowance for doubtful receivables.....	(15,781)	(15,358)	(158)
Net trade receivables.....	1,564,876	1,421,555	15,619
Due from associated companies.....	105,993	105,884	1,058
Inventories.....	531,534	530,335	5,305
Advances to suppliers.....	100,973	98,604	1,008
Prepaid expenses.....	29,797	32,103	297
Deferred tax assets.....	38,564	37,898	385
Other current assets.....	242,103	274,664	2,416
Total current assets.....	3,094,486	3,066,905	30,886
Investments and non-current receivables:			
Investments in and advances to associated companies.....	656,884	608,121	6,556
Other investments.....	547,790	632,527	5,468
Other non-current receivables.....	149,600	143,628	1,493
Allowance for doubtful receivables.....	(53,167)	(66,450)	(531)
Total investments and net non-current receivables.....	1,301,107	1,317,826	12,986
Property and equipment, at cost:			
Land.....	121,977	160,620	1,218
Buildings.....	303,790	328,397	3,032
Machinery and equipment.....	288,542	276,368	2,880
Furniture and fixtures.....	57,163	57,594	571
Mineral rights.....	85,396	45,905	852
Construction in progress.....	10,629	16,090	106
Total property and equipment, at cost.....	867,497	884,974	8,659
Less accumulated depreciation.....	354,480	354,929	3,538
Net property and equipment.....	513,017	530,045	5,121
Prepaid pension cost.....	30,077	86,180	300
Deferred tax assets, non-current.....	49,452	31,612	494
Other assets.....	267,281	238,944	2,668
Total.....	¥ 5,255,420	¥ 5,271,512	\$ 52,455

Note :

1. Consolidated balance sheets have been prepared in conformity with accounting principles generally accepted in the United States of America.
2. ITOCHU Corporation and its subsidiaries adopt Statement of Financial Accounting Standards ("SFAS") No.158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132 (R) " from the end of fiscal year 2007.

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

-Unaudited-

ITOCHU Corporation and Subsidiaries

As of March 31, 2008 and 2007

Liabilities and Stockholders' Equity	Millions of Yen		Millions of U.S. dollars
	Mar. 2008	Mar.2007	Mar. 2008
Current liabilities:			
Short-term debt	¥ 307,446	¥ 373,723	\$ 3,069
Current maturities of long-term debt.....	76,017	144,317	759
Trade payables:			
Notes and acceptances.....	152,041	181,197	1,518
Accounts.....	1,133,683	1,143,422	11,315
Total trade payables.....	1,285,724	1,324,619	12,833
Due to associated companies.....	19,382	46,083	193
Accrued expenses.....	135,430	135,335	1,352
Income taxes payable.....	46,898	51,059	468
Advances from customers.....	118,351	107,308	1,181
Deferred tax liabilities.....	908	1,812	9
Other current liabilities.....	199,302	205,040	1,989
Total current liabilities	2,189,458	2,389,296	21,853
Long-term debt, excluding current maturities.....	1,895,088	1,795,333	18,915
Accrued retirement and severance benefits.....	19,602	21,748	196
Deferred tax liabilities, non-current.....	27,183	25,885	271
Commitments and contingent liabilities			
Minority interests.....	145,618	143,055	1,454
Stockholders' equity:			
Common stock:			
Authorized: 3,000,000,000 shares; issued:			
1,584,889,504 shares.....	202,241	202,241	2,019
Capital surplus.....	137,211	136,842	1,369
Retained earnings:			
Legal reserve.....	10,373	7,423	104
Other retained earnings	657,683	469,736	6,564
Total retained earnings.....	668,056	477,159	6,668
Accumulated other comprehensive income (loss) :			
Foreign currency translation adjustments.....	(24,948)	903	(249)
Pension liability adjustments.....	(73,379)	(41,335)	(732)
Unrealized holding gains on securities.....	74,389	122,736	742
Unrealized holding losses on derivative instruments.....	(2,510)	(441)	(25)
Total accumulated other comprehensive income (loss).....	(26,448)	81,863	(264)
Treasury stock, at cost.....	(2,589)	(1,910)	(26)
Total stockholders' equity.....	978,471	896,195	9,766
Total.....	¥ 5,255,420	¥ 5,271,512	\$ 52,455

[Explanation for Consolidated Balance Sheets]

Total assets as of March 31, 2008 decreased by 16.1 billion yen to 5,255.4 billion yen compared with March 31, 2007, though with an increase in trade receivables in Energy, Metals & Minerals and Forest Products & General Merchandise and Chemicals; an increase of Mineral rights arising from acquiring interests in natural resource development sector; and an increase of Investment in and advances to associated companies from additional investment and increase in equity in investment in Orico, mainly because of decrease in Cash and cash equivalents, decrease in Other investments along with stock price fall, and decrease in Land and Buildings due to disposal of owned office buildings, as well as impact of yen's appreciation.

Assets

	(Unit: billion yen)			Reasons for changes:
	Mar 2008	Mar 2007	Increase (Decrease)	
Cash and cash equivalents	446.3	532.9	(86.5)	
Net trade receivables	1,564.9	1,421.6	143.3	Increase in Machinery, Metals, Mineral Resource & Coal, Energy, Forest Products & General Merchandise, Chemicals
Other current assets	242.1	274.7	(32.6)	Collection of short-term loan and long-term loan (current)
Investments in and advances to associated companies	656.9	608.1	48.8	Increase in additional investment in Orient Corporation and increase of equity in earnings of associated companies
Other investments	547.8	632.5	(84.7)	Decrease of Unrealized holding gains on securities due to effect of falling in stock prices compared with March 31, 2007
Other non-current receivables (after deducting allowance for doubtful receivables)	96.4	77.2	19.3	Increase in Machinery
Net property and equipment	513.0	530.0	(17.0)	Decrease in Land and Buildings due to disposal of owned office buildings, despite increase of Mineral rights
Other assets	267.3	238.9	28.3	Increase in Machinery

Liabilities

	(Unit: billion yen)			
	Mar 2008	Mar 2007	Increase (Decrease)	
Total trade payables	1,285.7	1,324.6	(38.9)	Decrease in Machinery, Aerospace, Electronics & Multimedia, Forest Products & General Merchandise and Food
Due to associated companies	19.4	46.1	(26.7)	Decrease of deposit received
Advances from customers	118.4	107.3	11.0	Increase in Machinery
[Interest-bearing debt]				
Short-term debt	307.4	373.7	(66.3)	
Current maturities of long-term debt	72.0	138.5	(66.5)	
Current maturities of debentures	4.0	5.8	(1.8)	
Short-term total	383.5	518.0	(134.6)	
Long-term debt	1,519.8	1,456.3	63.5	
Debentures	201.1	191.2	9.9	
Long-term total	1,720.9	1,647.6	73.4	
Total interest-bearing debt	2,104.4	2,165.6	(61.2)	
Cash, cash equivalents and time deposits	449.9	534.7	(84.8)	
Net interest-bearing debt	1,654.5	1,630.9	23.6	
Net debt-to-equity ratio [times]	1.7	1.8	0.1 improved	

Stockholders' equity

	(Unit: billion yen)			
	Mar 2008	Mar 2007	Increase (Decrease)	
Common stock	202.2	202.2	-	
Capital surplus	137.2	136.8	0.4	
Retained earnings:	668.1	477.2	190.9	
Legal reserve	10.4	7.4	3.0	
Other retained earnings	657.7	469.7	187.9	Net income +218.6, Distribution of dividends -27.7, Transfer to legal reserve -3.0
Accumulated other comprehensive income (loss):	(26.4)	81.9	(108.3)	
Foreign currency translation adjustments	(24.9)	0.9	(25.9)	Effect of yen's appreciation compared with March 31, 2007
Pension liability adjustments	(73.4)	(41.3)	(32.0)	Effect of falling in stock prices compared with March 31, 2007
Unrealized holding gains on securities	74.4	122.7	(48.3)	
Unrealized holding losses on derivative instruments	(2.5)	(0.4)	(2.1)	Decline in yen's forward interest rate
Treasury stock, at cost	(2.6)	(1.9)	(0.7)	
Total stockholders' equity	978.5	896.2	82.3	
Ratio of stockholders' equity to total assets	18.6%	17.0%	1.6%	

[Current exchange rate Yen/US\$]

[For March closing companies]

[For December closing companies]

Mar 2008	Mar 2007	Changes	Dec 2007	Dec 2006	Changes
100.19	118.05	(17.86)	114.15	119.11	(4.96)
Mar 2007	Mar 2006	Changes	Dec 2006	Dec 2005	Changes
118.05	117.47	0.58	119.11	118.07	1.04

[The Nikkei stock average index]

Mar 2008	Mar 2007	Changes
12,525	17,287	(4,762)

Consolidated Statements of Stockholders' Equity [Condensed]

-Unaudited-

ITOCHU Corporation and Subsidiaries

Years ended March 31, 2008 and 2007

	Millions of Yen		Millions of U.S. dollars
	2008	2007	2008
Common stock:			
Balance at beginning of year.....	¥ 202,241	¥ 202,241	\$ 2,019
Balance at end of year.....	¥ 202,241	¥ 202,241	\$ 2,019
Capital surplus:			
Balance at beginning of year.....	¥ 136,842	¥ 137,035	\$ 1,366
Excess arising from retirement of treasury stock	16	8	0
Increase (Decrease) arising from group realignment between subsidiaries.....	353	(201)	3
Balance at end of year.....	¥ 137,211	¥ 136,842	\$ 1,369
Retained earnings:			
Legal reserve:			
Balance at beginning of year.....	¥ 7,423	¥ 5,667	\$ 74
Transfer from other retained earnings.....	3,075	1,822	31
Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies.....	(125)	(66)	(1)
Balance at end of year.....	¥ 10,373	¥ 7,423	\$ 104
Other retained earnings:			
Balance at beginning of year.....	¥ 469,736	¥ 310,261	\$ 4,688
Net income.....	218,585	177,059	2,182
Cash dividends.....	(27,688)	(15,828)	(276)
Transfer to legal reserve.....	(3,075)	(1,822)	(31)
Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies.....	125	66	1
Balance at end of year.....	¥ 657,683	¥ 469,736	\$ 6,564
Accumulated other comprehensive income (loss):			
Balance at beginning of year.....	¥ 81,863	¥ 72,889	\$ 817
Other comprehensive income (loss).....	(108,311)	47,451	(1,081)
Adjustment to initially apply SFAS No.158.....	-	(38,477)	-
Balance at end of year.....	¥ (26,448)	¥ 81,863	\$ (264)
Treasury stock:			
Balance at beginning of year.....	¥ (1,910)	¥ (1,277)	\$ (19)
Net changes in treasury stock.....	(679)	(633)	(7)
Balance at end of year.....	¥ (2,589)	¥ (1,910)	\$ (26)
Total.....	¥ 978,471	¥ 896,195	\$ 9,766
Comprehensive income:			
Net income.....	¥ 218,585	¥ 177,059	\$ 2,182
Other comprehensive income (loss) (net of tax):			
Net change in foreign currency translation adjustments during the year.....	(25,851)	26,704	(258)
Minimum pension liability adjustments.....	-	(772)	-
Pension liability adjustments.....	(32,044)	-	(320)
Net change in unrealized holding gains (losses) on securities during the year.....	(48,347)	25,047	(482)
Net change in unrealized holding losses on derivative instruments during the year.....	(2,069)	(3,528)	(21)
Total other comprehensive income (loss) (net of tax)....	(108,311)	47,451	(1,081)
Total.....	¥ 110,274	¥ 224,510	\$ 1,101

Note :

ITOCHU Corporation and its subsidiaries adopt Statement of Financial Accounting Standards ("SFAS") No.158 "Employers' Accounting for Pension liability adjustments and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132 (R) " from the end of fiscal year 2007.

Accumulated other comprehensive income (loss)

1. Foreign currency translation adjustments

Foreign exchange differences in exchange rate between at invested to the overseas group companies and at the end of this period , are recognized as "Foreign currency translation adjustments" .

(Unit: billion yen)	as of:	<u>Mar 2008</u>	<u>Mar 2007</u>	Increase (Decrease)
Balance		(24.9)	0.9	(25.9)
Exchange rate	as of:	<u>Dec 2007</u>	<u>Dec 2006</u>	<u>Changes</u>
	(Yen/US\$)	114.15	119.11	(4.96)
	as of:	<u>Mar 2008</u>	<u>Mar 2007</u>	<u>Changes</u>
	(Yen/US\$)	100.19	118.05	(17.86)
	as of:	<u>Mar 2008</u>	<u>Mar 2007</u>	<u>Changes</u>
	(Yen/A\$)	91.74	95.36	(3.62)

2. Pension liability adjustments

Difference between the projected benefit obligations and the plan assets is amortized according to the defined accounting standard, and the other unamortized balance (net of tax) is recognized as "Pension liability adjustments".

(Unit: billion yen)	as of:	<u>Mar 2008</u>	<u>Mar 2007</u>	Increase (Decrease)
Balance		(73.4)	(41.3) ^{*Note}	(32.0)

**Note: Including changes displayed as "Adjustment to initially apply SFAS No.158" in the previous fiscal year (38.5 billion yen).*

3. Unrealized holding gains on securities

Available-for-sale securities are recorded at fair value at the end of this period, and differences (net of tax) between carrying amount and fair value are recognized as "Unrealized holding gains on securities".

(Unit: billion yen)	as of:	<u>Mar 2008</u>	<u>Mar 2007</u>	Increase (Decrease)
Balance		74.4	122.7	(48.3)

4. Unrealized holding losses on derivative instruments

Derivative transactions which are designated and qualified as 'cash flow hedges' are recorded at fair value at the end of this period, and differences (net of tax) between carrying amount and fair value are recognized as "Unrealized holding gains (losses) on derivative instruments".

(Unit: billion yen)	as of:	<u>Mar 2008</u>	<u>Mar 2007</u>	Increase (Decrease)
Balance		(2.5)	(0.4)	(2.1)

Consolidated Statements of Cash Flows [Condensed]

 ITOCHU Corporation and Subsidiaries
 Years ended March 31, 2008 and 2007

-Unaudited-

	Millions of Yen		Millions of U.S. dollars
	2008	2007	2008
Cash flows from operating activities :			
Net income	¥ 218,585	¥ 177,059	\$ 2,182
Adjustments to reconcile net income to net cash provided by operating activities :			
Depreciation and amortization	71,569	56,383	714
Provision for doubtful receivables	5,977	4,934	60
Gain on disposal of investments and marketable securities, net of write-down.....	(16,384)	(46,850)	(164)
Gain (loss) on property and equipment-net.....	(6,675)	6,785	(67)
Equity in earnings (losses) of associated companies, less dividends received	(55,444)	39,849	(553)
Deferred income taxes	30,078	8,665	300
Minority interests	12,360	14,176	123
Changes in assets and liabilities, other-net	(194,514)	(25,084)	(1,941)
Net cash provided by operating activities	<u>65,552</u>	<u>235,917</u>	<u>654</u>
Cash flows from investing activities :			
Net sales (purchases) of property, equipment and other assets	2,133	(50,568)	21
Net increase in investments in and advances to associated companies	(14,772)	(11,003)	(147)
Net purchases of other investments	(54,803)	(64,571)	(547)
Net collections (origination) of other non-current loan receivables	3,849	(1,394)	39
Net (increase) decrease in time deposits.....	(2,266)	22,031	(23)
Net decrease in marketable securities.....	85	22,111	1
Net cash used in investing activities	<u>(65,774)</u>	<u>(83,394)</u>	<u>(656)</u>
Cash flows from financing activities :			
Net proceeds (repayments) of long-term debt	413	(63,695)	4
Net decrease in short-term debt	(48,071)	(22,215)	(480)
Other	(33,636)	(15,010)	(335)
Net cash used in financing activities	<u>(81,294)</u>	<u>(100,920)</u>	<u>(811)</u>
Effect of exchange rate changes on cash and cash equivalents	(5,029)	3,546	(50)
Net increase (decrease) in cash and cash equivalents	(86,545)	55,149	(863)
Cash and cash equivalents at beginning of year	532,856	477,707	5,318
Cash and cash equivalents at end of year	¥ 446,311	¥ 532,856	\$ 4,455

[Explanation for Consolidated Statements of Cash Flows]

Note :
Explanation for indication

Cash-inflow : "+"
Cash-outflow : "()"

"Decrease in assets" or "Increase in liabilities" : Cash-inflow
"Increase in assets" or "Decrease in liabilities" : Cash-outflow

Cash flows from operating activities

(Unit: billion yen)

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Reasons for increase/decrease</u>
Net income	218.6	177.1	41.5	Changes in net income +41.5
*Non-cash charges of P/L	41.5	83.9	(42.5)	Gain on disposal of investments and marketable securities, net of write-down +30.5, Equity in earnings of associated companies, less dividends received (95.3)
Changes in assets and liabilities, other-net	(194.5)	(25.1)	(169.4)	Trade receivables / payables (200.4) etc. Inventories +31.7 etc.
Net cash provided by operating activities	65.6	235.9	(170.4)	

* To eliminate non-cash P/L items such as depreciation/amortization expenses and provision for doubtful receivables, and to transfer P/L on marketable securities, investment, property and equipment from operating activities to investing or financing activities.

Cash flows from investing activities

(Unit: billion yen)

Net sales (purchases) of property, equipment and other assets	<u>2008</u> 2.1 a	<u>2007</u> (50.6) b	<u>Increase (Decrease)</u> 52.7	a : Net purchases by natural resources development related subsidiaries (5.4), food subsidiaries (13.3), overseas trading subsidiaries (6.9), net sales by realty assets +44.2 etc. b : Net purchases by natural resources development related subsidiaries (21.7) etc.
Net increase in investments in and advances to associated companies	<u>2008</u> (14.8) a	<u>2007</u> (11.0) b	<u>Increase (Decrease)</u> (3.8)	a : Additional investment in Orient Corporation (30.0), net decrease in investment and advances to realty related associated companies +18.2 etc. b : Investment in Isuzu Network Co., Ltd. (11.8) etc.
Net purchases of other investments	<u>2008</u> (54.8) a	<u>2007</u> (64.6) b	<u>Increase (Decrease)</u> 9.8	a : Investment in energy-development sector (62.9), sales of listed stocks by parent +14.0 etc. b : Acquisition of NIPPON ACCESS, INC. (11.4), investment in Akebono Brake Industry Co., Ltd. (9.7) etc.
Net collections (origination) of other non-current loan receivables	<u>2008</u> 3.8 a	<u>2007</u> (1.4)	<u>Increase (Decrease)</u> 5.2	a : Net origination by machinery subsidiaries (9.7), net collections by financing subsidiary +21.5 etc.
Net (increase) decrease in time deposits	<u>2008</u> (2.3)	<u>2007</u> 22.0 b	<u>Increase (Decrease)</u> (24.3)	b : Decrease in time deposit of parent +21.2 etc.
Net decrease in marketable securities	<u>2008</u> 0.1	<u>2007</u> 22.1 b	<u>Increase (Decrease)</u> (22.0)	b : Decrease in marketable securities of domestic subsidiaries etc.
Net cash used in investing activities	(65.8)	(83.4)	17.6	

Cash flows from financing activities

(Unit: billion yen)

(Note) Changes in current maturities of long-term debt are included in "Net repayments of long-term debt" on the statements of cash flows.				
Net proceeds (repayments) of long-term debt	<u>2008</u> 0.4 a	<u>2007</u> (63.7) b	<u>Increase (Decrease)</u> 64.1	a : Net proceed by parent +101.8, net repayments by realty related subsidiaries (47.9), food subsidiaries (28.5) b : Net repayment by parent (30.0) etc.
Net decrease in short-term debt	<u>2008</u> (48.1) a	<u>2007</u> (22.2) b	<u>Increase (Decrease)</u> (25.9)	a : Net repayments by food subsidiaries (25.9), financing subsidiaries (20.1) etc. b : Net repayments by food subsidiaries (14.5) etc.
Other	<u>2008</u> (33.6) a	<u>2007</u> (15.0) b	<u>Increase (Decrease)</u> (18.6)	a : Dividends paid (27.7) etc. b : Dividends paid (15.8) etc.
Net cash used in financing activities	(81.3)	(100.9)	19.6	

Basis of the Consolidated Financial Statements

1. Consolidated Subsidiaries and Equity-Method Associated Companies

Consolidated Subsidiaries	[Major Group Companies]
(Domestic: 191 entities)	JOI'X CORPORATION, ITOCHU Sanki Corporation, ITOCHU CONSTRUCTION MACHINERY CO., LTD., ITOCHU Techno-Solutions Corporation, SPACE SHOWER NETWORKS INC., Excite Japan Co., Ltd, NANO Media Inc., ITC NETWORKS CORPORATION, ITOCHU Non-Ferrous Materials Co., Ltd.(*), ITOCHU Petroleum Japan Ltd., ITOCHU Kenzai Corp., ITOCHU Pulp & Paper Corp., ITOCHU CHEMICAL FRONTIER Corporation, ITOCHU PLASTICS INC., ITOCHU SHOKUHIN Co., Ltd., NIPPON ACCESS, INC., CENTURY 21 REAL ESTATE OF JAPAN LTD., ITOCHU Finance Corporation, FX PRIME Corporation, Century Medical, Inc.
(Overseas: 223 entities)	Prominent Apparel Ltd. [Hong Kong], ITOCHU TEXTILE (CHINA) CO., LTD, MCL Group Limited [U.K.], ITOCHU Automobile America Inc., ITOCHU Minerals & Energy of Australia Pty Ltd., ITOCHU Oil Exploration (Azerbaijan) Inc., ITOCHU International Inc. [U.S.A.], ITOCHU Europe PLC. [U.K.], ITOCHU Hong Kong Ltd., ITOCHU (China) Holding Co., Ltd., ITOCHU Australia Ltd.
Equity-Method Associated Companies	
(Domestic: 94 entities)	Century Leasing System, Inc., JAMCO Corporation, SUNCALL CORPORATION, Marubeni-Itochu Steel Inc., ITOCHU ENEX CO., LTD., DAIKEN CORPORATION, TAKIRON Co., Ltd., C.I. KASEI Co., Ltd., YOSHINOYA HOLDINGS CO., LTD., Japan Foods Co., Ltd., Fuji Oil Co., Ltd., FamilyMart Co., Ltd., Prima Meat Packers, Ltd., Orient Corporation, i-LOGISTICS CORP., eGuarantee, Inc.
(Overseas: 118 entities)	Chemol Energy Limited [Hong Kong], CGB ENTERPRISES, INC. [U.S.A.]

(*) ITOCHU Non-Ferrous Materials Co., Ltd. changed the name to ITOCHU Metals Corporation on Apr 1, 2008.

(Note) Consolidated subsidiaries listed on the stock exchange markets in Japan

TSE 1st Section :	ITOCHU Techno-Solutions Corporation, ITOCHU SHOKUHIN Co., Ltd. ITC NETWORKS CORPORATION
JASDAQ :	SPACE SHOWER NETWORKS INC., Excite Japan Co., Ltd., CENTURY 21 REAL ESTATE OF JAPAN LTD.
Mothers:	MAGASseek Corporation, NANO Media Inc.

* Investment entities which are to be considered as part of parent company substantially (177 entities as of the end of March, 2008) are excluded from the list above.

2. Accounting Policies

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

The following is the summary of differences between the accounting policies adopted in the consolidated financial statements and accounting practice generally accepted in Japan:

- (1) Evaluation of investments
For evaluation of investments, SFAS (Statement of Financial Accounting Standard) No.115 and EITF (Emerging Issues Task Force) No.03-1 are applied.
- (2) Share-to-share exchange without cash payment
Exchange gains/losses on newly acquired investments by share-to-share transfer without cash payment are recognized at the time of the exchange according to EITF No.91-5.
- (3) Value reduction of fixed assets for Japanese tax purposes
The whole balance is reversed for preparation of the consolidated financial statements.

(4) Post retirement benefit and pension plans

Costs of the employees' retirement and severance benefits are recognized based on the actuarial computation according to SFAS No. 87.

In addition, according to SFAS No.158, the situation of the defined benefit pension plans (that is, difference between the fair value of the plan assets and the amount of the projected benefit obligations) as of the end of the period are recognized in the consolidated balance sheets, and net actuarial gain/loss (net of tax) and prior service cost (net of tax) are recorded in Accumulated other comprehensive income (loss).

(5) Bond with warrant

The amount equivalent to the warrant portion in the bonds with warrant issued according to the former commercial law in Japan are recorded in Capital surplus at the time of issuance.

(6) Costs for issuance of new shares

Costs for issuance of new shares are recognized as subtraction item from Capital surplus.

(7) Deferred income on installment sales

The whole income on installment sales is recognized at the time of sales.

(8) Goodwill

Goodwill and non-amortized intangible assets with indefinite useful lives are not amortized, but are instead tested for impairment at the reporting unit level at least on annual basis or circumstances change that is more likely than not that the fair value is below the carrying amount in accordance with SFAS No.142.

(9) Derivative instruments

According to SFAS No.133 and No.138, every derivative instruments is measured and presented at its fair value as of the end of the period in the consolidated balance sheets, and the changes in fair value from the end of the previous period are recognized as gains/losses of the current period or Accumulated other comprehensive income(loss) (net of tax), judging existence of the hedging purpose and the type of hedging activities.

Operating Segment Information

ITOCHU Corporation and Subsidiaries

Years ended March 31, 2008 and 2007

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 years ended March 31, 2008 and 2007 is as follows:

	2008								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	¥ 690,690	¥ 1,432,308	¥ 722,625	¥ 3,829,107	¥ 2,289,521	¥ 3,036,830	¥ 182,068	¥ 229,307	¥ 12,412,456
Transfers between operating segments	609	677	4,275	322	18,937	279	111	(25,210)	-
Total trading transactions	<u>691,299</u>	<u>1,432,985</u>	<u>726,900</u>	<u>3,829,429</u>	<u>2,308,458</u>	<u>3,037,109</u>	<u>182,179</u>	<u>204,097</u>	<u>12,412,456</u>
Gross trading profit	<u>115,236</u>	<u>100,477</u>	<u>138,952</u>	<u>127,464</u>	<u>122,640</u>	<u>324,665</u>	<u>41,381</u>	<u>25,089</u>	<u>995,904</u>
Net income	<u>20,500</u>	<u>22,634</u>	<u>14,583</u>	<u>105,716</u>	<u>19,677</u>	<u>18,657</u>	<u>10,828</u>	<u>5,990</u>	<u>218,585</u>
[Equity in earnings (losses) of associated companies].....	<u>[2,039]</u>	<u>[4,752]</u>	<u>[(1,233)]</u>	<u>[25,463]</u>	<u>[2,017]</u>	<u>[7,951]</u>	<u>[29,595]</u>	<u>[(346)]</u>	<u>[70,238]</u>
Identifiable assets at March 31, 2008.....	<u>364,349</u>	<u>690,929</u>	<u>513,870</u>	<u>916,571</u>	<u>766,790</u>	<u>1,064,825</u>	<u>420,501</u>	<u>517,585</u>	<u>5,255,420</u>

	2007								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	¥ 806,535	¥ 1,588,786	¥ 696,708	¥ 3,019,987	¥ 2,157,198	¥ 2,828,861	¥ 221,720	¥ 259,264	¥ 11,579,059
Transfers between operating segments	609	602	3,388	613	7,900	404	1,682	(15,198)	-
Total trading transactions	<u>807,144</u>	<u>1,589,388</u>	<u>700,096</u>	<u>3,020,600</u>	<u>2,165,098</u>	<u>2,829,265</u>	<u>223,402</u>	<u>244,066</u>	<u>11,579,059</u>
Gross trading profit	<u>124,640</u>	<u>90,466</u>	<u>133,513</u>	<u>102,114</u>	<u>126,187</u>	<u>264,617</u>	<u>43,285</u>	<u>23,854</u>	<u>908,676</u>
Net income	<u>17,105</u>	<u>21,132</u>	<u>11,203</u>	<u>80,705</u>	<u>24,772</u>	<u>18,089</u>	<u>(28,302)</u>	<u>32,355</u>	<u>177,059</u>
[Equity in earnings (losses) of associated companies].....	<u>[1,513]</u>	<u>[5,826]</u>	<u>[(1,468)]</u>	<u>[27,077]</u>	<u>[2,302]</u>	<u>[10,213]</u>	<u>[(66,037)]</u>	<u>[505]</u>	<u>[(20,069)]</u>
Identifiable assets at March 31, 2007.....	<u>401,792</u>	<u>635,761</u>	<u>551,210</u>	<u>781,432</u>	<u>716,775</u>	<u>1,070,743</u>	<u>524,851</u>	<u>588,948</u>	<u>5,271,512</u>

	2008								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	\$ 6,894	\$ 14,296	\$ 7,212	\$ 38,218	\$ 22,852	\$ 30,311	\$ 1,817	\$ 2,289	\$ 123,889
Transfers between operating segments	6	7	43	3	189	3	1	(252)	-
Total trading transactions	<u>6,900</u>	<u>14,303</u>	<u>7,255</u>	<u>38,221</u>	<u>23,041</u>	<u>30,314</u>	<u>1,818</u>	<u>2,037</u>	<u>123,889</u>
Gross trading profit	<u>1,150</u>	<u>1,003</u>	<u>1,387</u>	<u>1,272</u>	<u>1,224</u>	<u>3,241</u>	<u>413</u>	<u>250</u>	<u>9,940</u>
Net income	<u>205</u>	<u>226</u>	<u>146</u>	<u>1,055</u>	<u>196</u>	<u>186</u>	<u>108</u>	<u>60</u>	<u>2,182</u>
[Equity in earnings (losses) of associated companies].....	<u>[20]</u>	<u>[48]</u>	<u>[(12)]</u>	<u>[254]</u>	<u>[20]</u>	<u>[79]</u>	<u>[295]</u>	<u>[(3)]</u>	<u>[701]</u>
Identifiable assets at March 31, 2008.....	<u>3,637</u>	<u>6,896</u>	<u>5,129</u>	<u>9,148</u>	<u>7,654</u>	<u>10,628</u>	<u>4,197</u>	<u>5,166</u>	<u>52,455</u>

Note :

- "Equity in earnings(losses) 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.

[Explanation for Operating Segment Information]

<u>Total trading transactions</u>	(Unit : billion yen)		Increase	<u>Reasons for changes</u>
	<u>2008</u>	<u>2007</u>	<u>(Decrease)</u>	
Textile	690.7	806.5	(115.8)	Decrease due to assessment of and withdrawal from inefficient business and slowdown of apparel market demands
Machinery	1,432.3	1,588.8	(156.5)	Decrease due to automobile transactions decrease in North America despite increase in automobile transactions for emerging countries
Aerospace, Electronics & Multimedia	722.6	696.7	25.9	Increase due to delivery of aviation related large volume project
Energy, Metals & Minerals	3,829.1	3,020.0	809.1	Increase due to oil production volume expansion in crude oil fields owned as well as positive effect of natural resource prices
Chemicals, Forest Products & General Merchandise	2,289.5	2,157.2	132.3	Increase due to higher prices of chemical products despite demands slowdown for house building materials in North America and Japan
Food	3,036.8	2,828.9	208.0	Increase mainly due to turning NIPPON ACCESS, INC. into a consolidated subsidiary
Finance, Realty, Insurance & Logistics Services	182.1	221.7	(39.7)	Decrease mainly due to absence of realty related spot transactions performed in the previous fiscal year
Other, Adjustments & Eliminations	229.3	259.3	(30.0)	
Total	12,412.5	11,579.1	833.4	
<u>Gross trading profit</u>	(Unit : billion yen)		Increase	<u>Reasons for changes</u>
	<u>2008</u>	<u>2007</u>	<u>(Decrease)</u>	
Textile	115.2	124.6	(9.4)	Decrease due to leaving of consolidated subsidiaries from group and slowdown of apparel market demands
Machinery	100.5	90.5	10.0	Increase due to favorable automobile transactions for emerging countries as well as good result of ship trading and construction machinery businesses
Aerospace, Electronics & Multimedia	139.0	133.5	5.4	Increase in domestic businesses of mobile phone and IT related area
Energy, Metals & Minerals	127.5	102.1	25.4	Increase due to higher prices of natural resources and sales volume increase accompanied by oil production volume increase in crude oil fields owned
Chemicals, Forest Products & General Merchandise	122.6	126.2	(3.5)	Decrease due to demands slowdown for house building materials in North America and Japan despite higher prices of chemical products
Food	324.7	264.6	60.0	Increase mainly due to turning NIPPON ACCESS, INC. into a consolidated subsidiary
Finance, Realty, Insurance & Logistics Services	41.4	43.3	(1.9)	Decrease from negative impact of disposal/impairment loss recognized on real estate for sale in long-term development as a result of sales policy change
Other, Adjustments & Eliminations	25.1	23.9	1.2	
Total	995.9	908.7	87.2	
<u>Net income</u>	(Unit : billion yen)		Increase	<u>Reasons for changes</u>
	<u>2008</u>	<u>2007</u>	<u>(Decrease)</u>	
Textile	20.5	17.1	3.4	Increase mainly due to gain on disposal of investments and marketable securities despite decrease of gross trading profit
Machinery	22.6	21.1	1.5	Increase due to increase in gross trading profit and dividends received despite absence of gain on disposal of investments and marketable securities in the previous fiscal year
Aerospace, Electronics & Multimedia	14.6	11.2	3.4	Increase due to increased gain on disposal of investments and marketable securities despite SG&A increase
Energy, Metals & Minerals	105.7	80.7	25.0	Increase due to significant increase of gross trading profit and gain from partial sale of coal mining interests despite decrease of gain on disposal of investments and marketable securities and equity in earnings of associated companies
Chemicals, Forest Products & General Merchandise	19.7	24.8	(5.1)	Decrease due to decreased gross trading profit and increased SG&A
Food	18.7	18.1	0.6	Increase due to gain on disposal of investments and marketable securities despite decrease of gross trading profit and equity in earnings of associated companies
Finance, Realty, Insurance & Logistics Services	10.8	(28.3)	39.1	Significant increase due to the absence of loss from a finance related associated company recorded in the previous fiscal year and the profit brought by the capital restructuring of the company in this year despite SG&A increase and decrease in gross trading profit and gain on disposal of investments and marketable securities
Other, Adjustments & Eliminations	6.0	32.4	(26.4)	Decrease due to foreign currency exchange losses accompanied by appreciated yen rate, significant decrease brought by the absence of gain on disposal of investment securities in the previous fiscal year, impairment loss in this year, and development fund expenditure for overseas profit expansion, in addition to increased SG&A
Total	218.6	177.1	41.5	
<u>Identifiable assets</u>	(Unit : billion yen)		Increase	<u>Reasons for changes</u>
	<u>2008</u>	<u>2007</u>	<u>(Decrease)</u>	
Textile	364.3	401.8	(37.4)	Decrease in trade receivables due to decreased trading transactions of the parent company as well as the effect from leaving of consolidated subsidiaries from group
Machinery	690.9	635.8	55.2	Increase of advances to suppliers in ship business and of trade receivables in automobile transactions
Aerospace, Electronics & Multimedia	513.9	551.2	(37.3)	Decrease due to disposal of leased aircraft and decrease of advances to suppliers resulting from delivery of aviation related large volume project
Energy, Metals & Minerals	916.6	781.4	135.1	Increase of trade receivables, inventories and tangible assets in energy-development sector
Chemicals, Forest Products & General Merchandise	766.8	716.8	50.0	Increase mainly of trade receivables in chemicals
Food	1,064.8	1,070.7	(5.9)	Decrease mainly in food distribution business
Finance, Realty, Insurance & Logistics Services	420.5	524.9	(104.4)	Decrease due to decreased loan receivables and disposal of realty related assets despite increase due to the special factors described in page 3 (Note) and additional investment in a finance related associated company
Other, Adjustments & Eliminations	517.6	588.9	(71.4)	Decrease mainly due to decrease in cash and cash equivalents
Total	5,255.4	5,271.5	(16.1)	

Supplemental Information of Total trading transactions and Gross trading profit by products

[Total trading transactions by products]

(Unit: billion yen)

	<u>2008</u> Amounts	<u>2007</u> Amounts	<u>Increase/Decrease</u> Amounts (Changes ratio)
Energy, Metals & Minerals	3,829.1	3,020.0	+ 809.1 (+ 26.8 %)
Metals and Minerals	497.9	551.6	- 53.7 (- 9.7 %)
Energy	3,331.2	2,468.4	+ 862.8 (+ 35.0 %)
Chemicals, Forest Products & General Merchandise	2,289.5	2,157.2	+ 132.3 (+ 6.1 %)
Forest Products & General Merchandise	991.3	1,011.6	- 20.3 (- 2.0 %)
Chemicals	1,298.3	1,145.6	+ 152.7 (+ 13.3 %)
Finance, Realty, Insurance & Logistics Services	182.1	221.7	- 39.7 (- 17.9 %)
Construction & Realty	128.5	166.5	- 38.0 (- 22.8 %)
Finance, Insurance & Logistics Services	53.6	55.2	- 1.6 (- 3.0 %)

(Note)

Yen/US\$ average rate

[For March closing companies]

2008 115.56 Yen/US\$

2007 117.32 Yen/US\$

1.76 yen's appreciation (1.50%)

[For December closing companies]

Jan-Dec 2007 118.21 Yen/US\$

Jan-Dec 2006 116.68 Yen/US\$

1.53 yen's depreciation (1.31%)

Effects of exchange rate changes on total trading transactions (Estimates)

Import	-16.0
Export	-9.0
Offshore	+17.0
Total	-8.0 billion yen (approximately)

Decrease in total trading transactions effected by 1 yen appreciation against U.S.dollars

: Approximately 49.0 billion yen per-year

[Gross trading profit by products]

(Unit: billion yen)

	<u>2008</u> Amounts	<u>2007</u> Amounts	<u>Increase/Decrease</u> Amounts (Changes ratio)
Energy, Metals & Minerals	127.5	102.1	+ 25.4 (+ 24.8 %)
Metals and Minerals	50.0	46.5	+ 3.5 (+ 7.5 %)
Energy	77.5	55.6	+ 21.9 (+ 39.3 %)
Chemicals, Forest Products & General Merchandise	122.6	126.2	- 3.5 (- 2.8 %)
Forest Products & General Merchandise	74.3	79.4	- 5.1 (- 6.4 %)
Chemicals	48.3	46.8	+ 1.5 (+ 3.3 %)
Finance, Realty, Insurance & Logistics Services	41.4	43.3	- 1.9 (- 4.4 %)
Construction & Realty	19.9	22.9	- 2.9 (- 12.9 %)
Finance, Insurance & Logistics Services	21.5	20.4	+ 1.0 (+ 5.1 %)

Per share Information

The following is the information on the stockholders' equity per share and net income per share for the years ended March 31, 2008 and 2007.

(Unit : Yen)

	2008	2007
Stockholders' equity per share	619.01	566.78
Basic net income per share	138.27	111.95
Diluted net income per share	128.52	-

The base data to compute the basic and diluted net income per share computations for the years ended March 31, 2008 and 2007 are as follows :

(Numerator)

(Unit : Millions of yen)

	2008	2007
Net income	218,585	177,059
Effect of dilutive securities: Convertible preferred stock	(15,411)	-
Diluted net income	203,174	177,059

(Denominator)

	2008	2007
Average number of common shares outstanding	1,580,878,959	1,581,543,157

Material subsequent events

No material subsequent events have occurred.