

# ***Frontier* + 2008**

- Enhancing Corporate Value on the World Stage -

**Fiscal Year  
Ended March 31, 2008**

**Business Results**

**May 8, 2008**

**ITOCHU Corporation**

**President and CEO Eizo Kobayashi**

# 1. Summary of FY2008

## 2. Segment Information

## 3. The last year of Frontier+2008

# Summary of the Result of FY2008



✓ Net income of FY2008 increased by ¥41.5 billion to ¥218.6 billion compared with FY2007, achieving a record high for 4 consecutive years.

(Ended March 31)	FY2008	FY2007	Increase (Decrease)	Forecast of FY2008	achievement
Gross trading profit	<b>995.9</b>	<b>908.7</b>	<b>87.2</b>	<b>1,010.0</b>	<b>99%</b>
Operating income	<b>266.5</b>	<b>264.6</b>	<b>1.9</b>	<b>280.0</b>	<b>95%</b>
Income before income taxes, minority interests and equity in earnings (losses) of associated companies	<b>282.7</b>	<b>300.2</b>	<b>(17.5)</b>	<b>280.0</b>	<b>101%</b>
Equity in earnings (losses) of associated companies	<b>70.2</b>	<b>(20.1)</b>	<b>90.3</b>	<b>80.0</b>	<b>88%</b>
Net income	<b>218.6</b>	<b>177.1</b>	<b>41.5</b>	<b>210.0</b>	<b>104%</b>

Adjusted profit*	<b>335.0</b>	<b>241.9</b>	<b>93.1</b>	<b>350.0</b>	<b>96%</b>
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\*Adjusted profit : Gross trading profit + SG&A expenses + Net financial expenses + Equity in earnings (losses) of associated companies

Net reporting profit from group companies	<b>160.9</b>	<b>101.7</b>	<b>59.2</b>
Profit from overseas subsidiaries and affiliates	<b>111.2</b>	<b>96.3</b>	<b>14.9</b>

(Unit: ¥billion)

# Net Income by Segments



- ✓ All business segments achieved net income exceeding ¥10 billion.

(Ended March 31)	FY2008	FY2007	Increase (Decrease)	Forecast of FY2008	achievement
Textile	20.5	17.1	3.4	19.0	108%
Machinery	22.6	21.1	1.5	23.0	98%
Aerospace, Electronics & Multimedia	14.6	11.2	3.4	16.0	91%
Energy, Metals & Minerals	105.7	80.7	25.0	88.0	120%
Chemicals, Forest Products & General Merchandise	19.7	24.8	(5.1)	22.0	89%
Food	18.7	18.1	0.6	22.0	85%
Finance, Realty, Insurance & Logistics Services	10.8	(28.3)	39.1	20.0	54%
Other, Adjustments & Eliminations	6.0	32.4	(26.4)	0	—
Net income	218.6	177.1	41.5	210.0	104%

(Unit: ¥billion)

# Financial Position and Cash Flows



## Financial position

(Ended March 31)	FY2008	FY2007	Increase (Decrease)
Total assets	<b>5,255.4</b>	<b>5,271.5</b>	<b>(16.1)</b>
Net interest-bearing debt	<b>1,654.5</b>	<b>1,630.9</b>	<b>23.6</b>
Stockholders' equity	<b>978.5</b>	<b>896.2</b>	<b>82.3</b>
Net DER	<b>1.7 times</b>	<b>1.8 times</b>	<b>0.1 Improved</b>
ROE	<b>23.3%</b>	<b>21.8%</b>	

## Cash flows

(Ended March 31)	FY2008	FY2007	Increase (Decrease)
Cash flow from operating activities	<b>65.6</b>	<b>235.9</b>	<b>(170.4)</b>
Cash flow from investing activities	<b>(65.8)</b>	<b>(83.4)</b>	<b>17.6</b>
Cash flow from financing activities	<b>(81.3)</b>	<b>(100.9)</b>	<b>19.6</b>

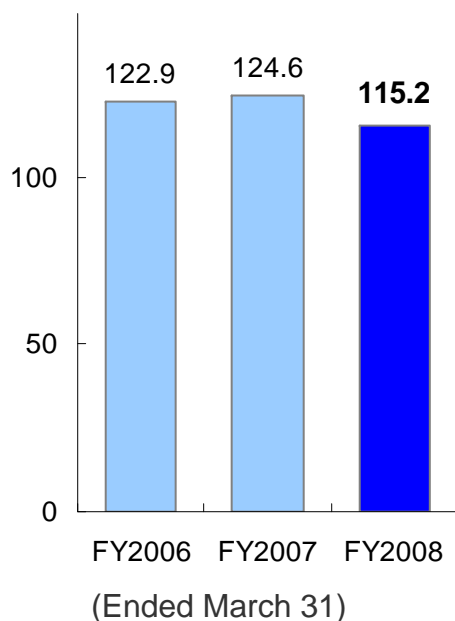
(Unit: ¥billion)

1. Summary of FY2008

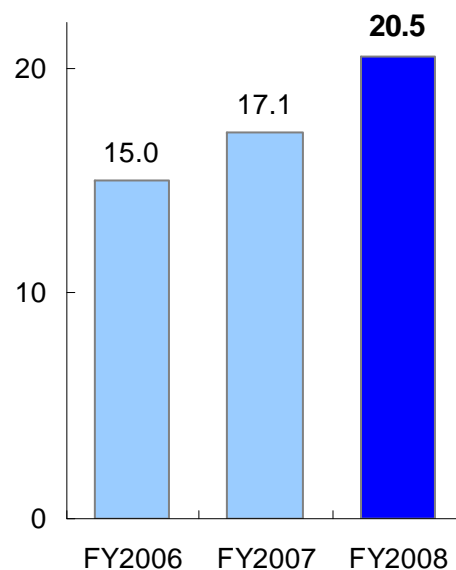
**2. Segment Information**

3. The last year of Frontier+2008

## Gross trading profit



## Net income



## Overview

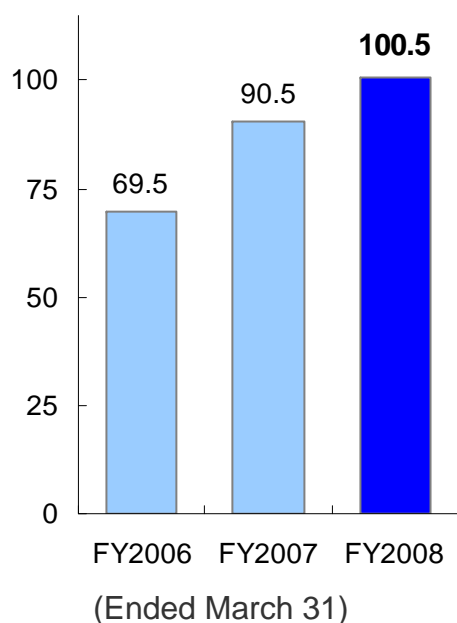
Net income increased mainly due to profit contribution from group companies involved in brand businesses and gain on disposal of investments.

## Reporting profits/losses from major group companies

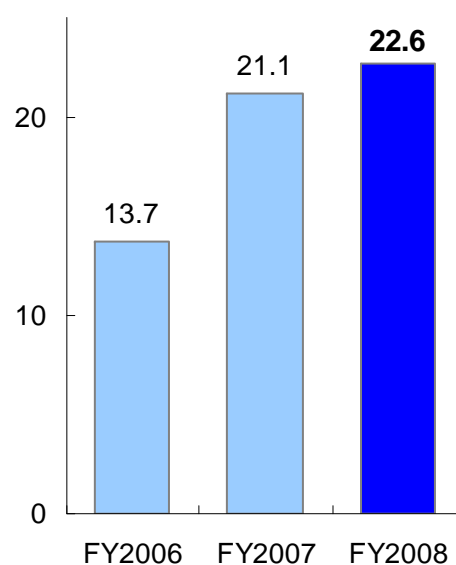
	FY2006	FY2007	FY2008
JOI'X CORPORATION	1.2	1.1	0.9
Prominent Apparel Ltd.	0.0	0.6	0.6
ITOCHU TEXTILE (CHINA) CO., Ltd.	0.5	0.9	0.9

(Unit: ¥billion)

## Gross trading profit



## Net income



## Overview

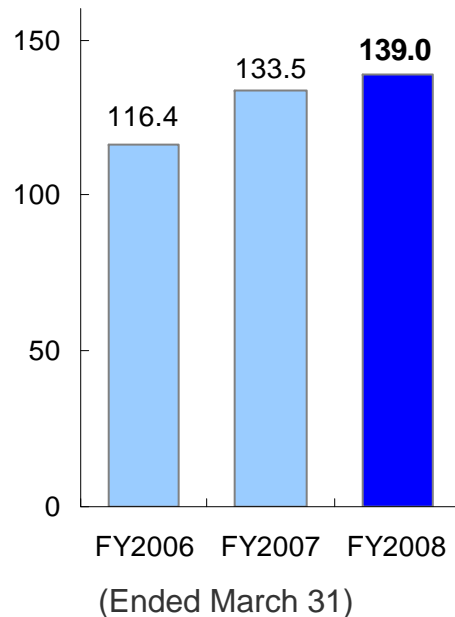
Net income and gross trading profit increased mainly due to steady growth in transactions of automobile, construction machinery and ships despite absence of gains on disposal of investments in the previous fiscal year.

## Reporting profits/losses from major group companies

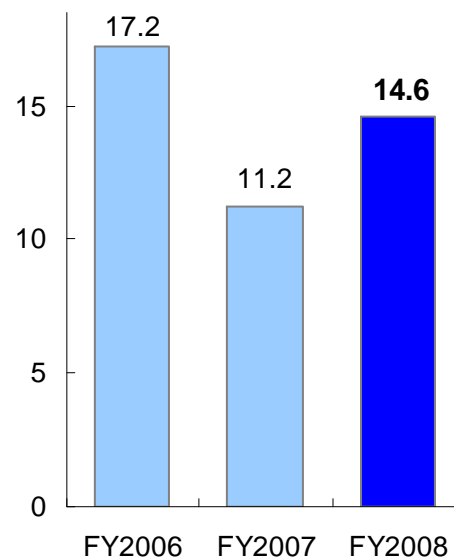
	FY2006	FY2007	FY2008
ITOCHU Automobile America Inc.	1.1	1.2	0.6
ITOCHU CONSTRUCTION MACHINERY CO., LTD	0.4	0.7	0.8
ITOCHU Sanki Corporation	0.4	0.4	0.4
MCL Group Limited.	0.4	(0.4)	(2.6)

(Unit: ¥billion)

## Gross trading profit



## Net income



## Overview

Gross trading profit increased mainly due to steady trend in domestic businesses relating to mobile phone and IT related area.

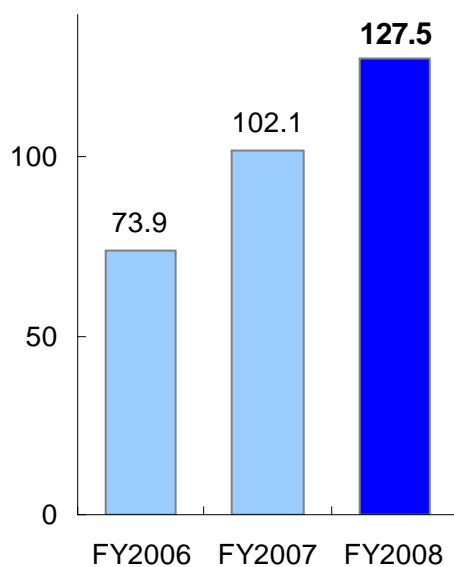
Net income increased mainly due to increased gains on disposal of investments and market securities.

## Reporting profits/losses from major group companies

	FY2006	FY2007	FY2008
ITOCHU Techno-Solutions Corporation	<b>6.6</b>	<b>7.4</b>	<b>8.1</b>
ITC NETWORKS CORPORATION	<b>2.1</b>	<b>1.8</b>	<b>1.7</b>
SPACE SHOWER NETWORKS INC.	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>

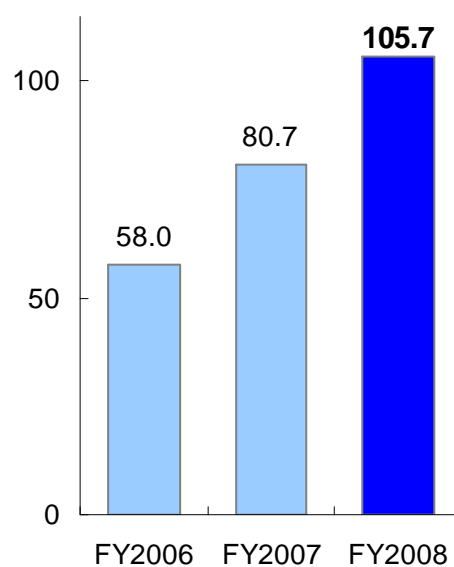
(Unit: ¥billion)

## Gross trading profit



(Ended March 31)

## Net income



## Overview

Net income increased mainly due to higher oil price and sales volume increase accompanied by oil production increase.

(Breakout)	FY2006	FY2007	FY2008
Metals and Minerals	<b>40.7</b>	<b>43.5</b>	<b>55.9</b>
Energy	<b>17.3</b>	<b>37.2</b>	<b>49.8</b>

## Reporting profits/losses from major group companies etc

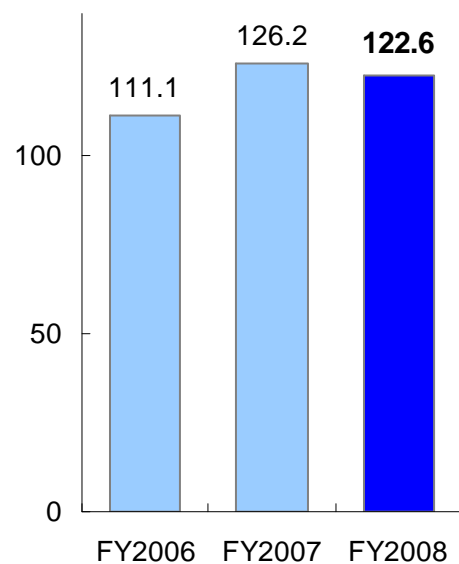
	FY2006	FY2007	FY2008
ITOCHU Minerals & Energy of Australia Pty Ltd	<b>25.9</b>	<b>28.9</b>	<b>38.5</b>
(Iron ore)	<b>13.3</b>	<b>19.1</b>	<b>23.8</b>
(Coal)	<b>12.0</b>	<b>8.3</b>	<b>13.5</b>
(Alumina)	<b>0.7</b>	<b>1.2</b>	<b>1.6</b>
Marubeni-Itochu Steel Inc.	<b>15.9</b>	<b>16.8</b>	<b>16.9</b>
ITOCHU Oil Exploration(Azerbaijan) Inc.	<b>5.2</b>	<b>21.2</b>	<b>33.4</b>
Dividend from LNG(PBT)	<b>9.9</b>	<b>11.9</b>	<b>12.8</b>

## Crude Oil (Brent)

(US\$/BBL)	FY2006	FY2007	FY2008
Average (Jan. - Dec.)	<b>\$55</b>	<b>\$66</b>	<b>\$73</b>

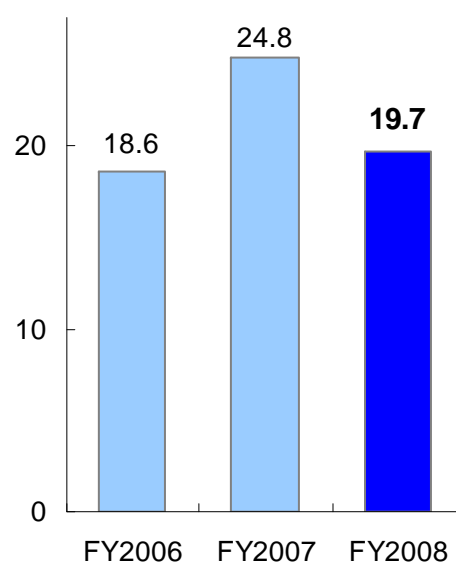
(※Unit: ¥ billion)

## Gross trading profit



(Ended March 31)

## Net income



## Overview

Net income decreased mainly due to decrease in demand for house building materials in North America and Japan, despite increase in prices of chemical products.

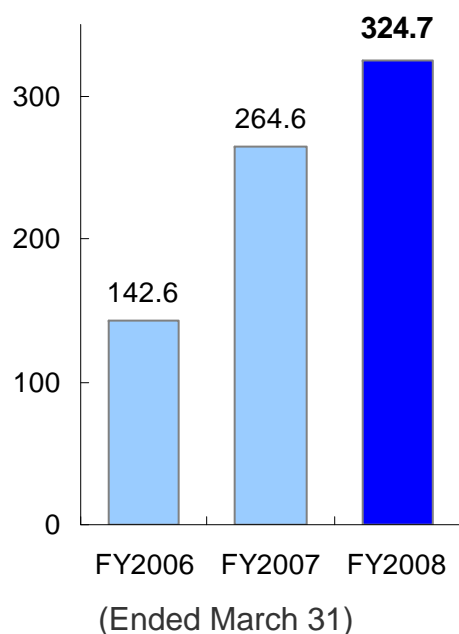
(Breakout)	FY2006	FY2007	FY2008
Forest Products & General Merchandise	<b>9.6</b>	<b>13.7</b>	<b>8.3</b>
Chemicals	<b>9.0</b>	<b>11.1</b>	<b>11.4</b>

## Reporting profits/losses from major group companies

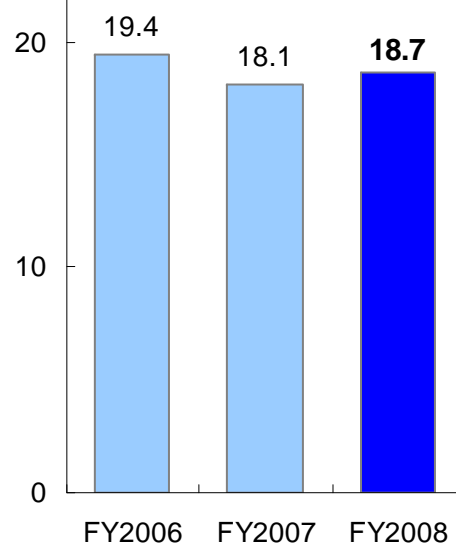
	FY2006	FY2007	FY2008
PrimeSource Building Products, Inc.	<b>7.7</b>	<b>7.4</b>	<b>6.4</b>
ITOCHU Kenzai Corp.	<b>0.8</b>	<b>2.4</b>	<b>0.3</b>
Am-Pac Tire Distributors, Inc.	<b>(0.7)</b>	<b>0.0</b>	<b>(1.6)</b>
ITOCHU CHEMICAL FRONTIER Corporation	<b>1.3</b>	<b>1.8</b>	<b>1.8</b>
ITOCHU PLASTICS INC.	<b>2.6</b>	<b>3.2</b>	<b>3.1</b>

(Unit: ¥billion)

## Gross trading profit



## Net income



## Overview

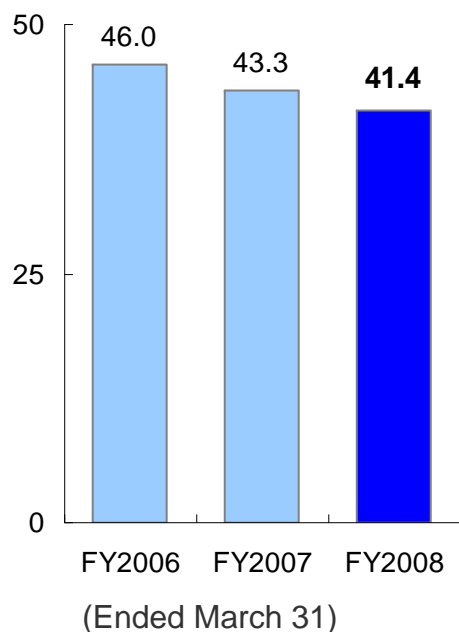
Gross trading profit increased mainly due to the fact that NIPPON ACCESS, INC. became a consolidated subsidiary. Net income increased mainly due to increase in profit relating investments.

## Reporting profits/losses from major group companies

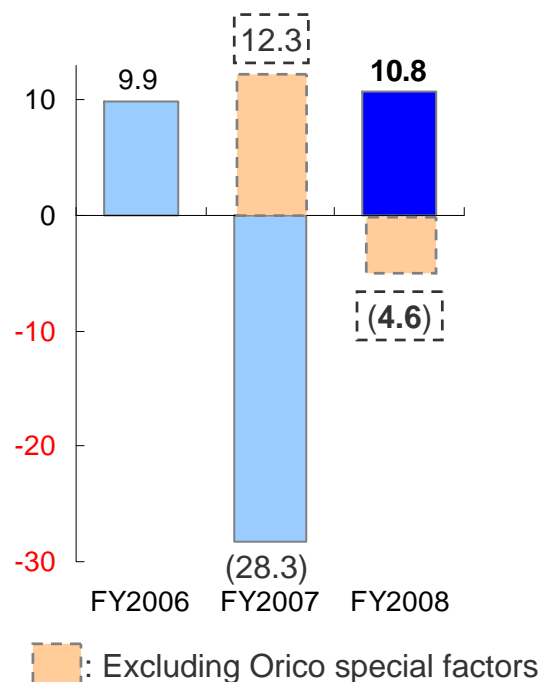
	FY2006	FY2007	FY2008
FamilyMart Co., Ltd.	4.3	4.7	4.9
YOSHINOYA HOLDINGS CO., LTD.	(0.1)	0.4	0.1
AI Beverage Holding Co., Ltd.	1.0	1.3	1.7

(Unit: ¥billion)

## Gross trading profit



## Net income



## Overview

(Breakout)	FY2006	FY2007	FY2008
Construction & Realty	(2.9)	(2.6)	(2.2)
Finance, Insurance & Logistics Services	12.8	(25.7)	13.0
(Orico special factors)	-	(40.6)	15.4
(Others)	-	14.9	(2.4)

## Reporting profits/losses from major group companies

	FY2006	FY2007	FY2008
ITOCHU Property Development, Ltd.	1.3	0.7	(4.4)
ITOCHU Finance Corporation	3.2	2.3	(7.0)
FX PRIME Corporation	0.3	0.1	0.7
Orient Corporation	3.1	(40.6)	-*
i-LOGISTICS CORP.	0.6	0.4	0.7

\* Undisclosed because Orient Corporation has not announced its financial result

(Unit: ¥billion)

1. Summary of FY2008

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# Frontier+ 2008

## - Enhancing Corporate Value on the World Stage -

### Basic policies

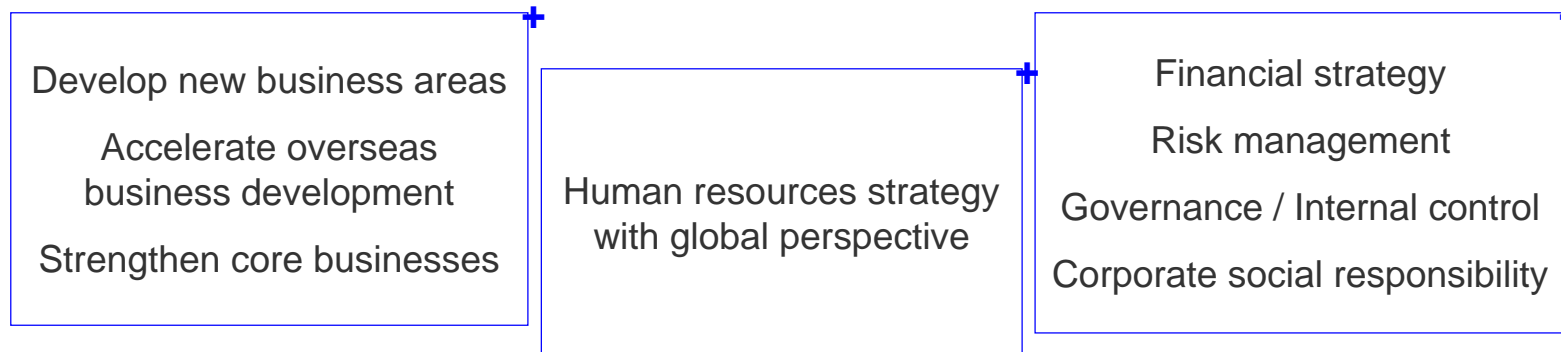
In addition to continuing efforts reflecting *Frontier-2006* themes, we will be more aggressive. At the same time, we will strive to become a *Global Enterprise* that is highly attractive to all stakeholders.

**Global perspective:** Increase earnings worldwide by developing business as a truly global enterprise

**Create new initiatives:** Leverage change, take on challenges, open up new areas

**Enhance human resources:** Seek, foster, and fully utilize the talents of personnel worldwide

### Key measures

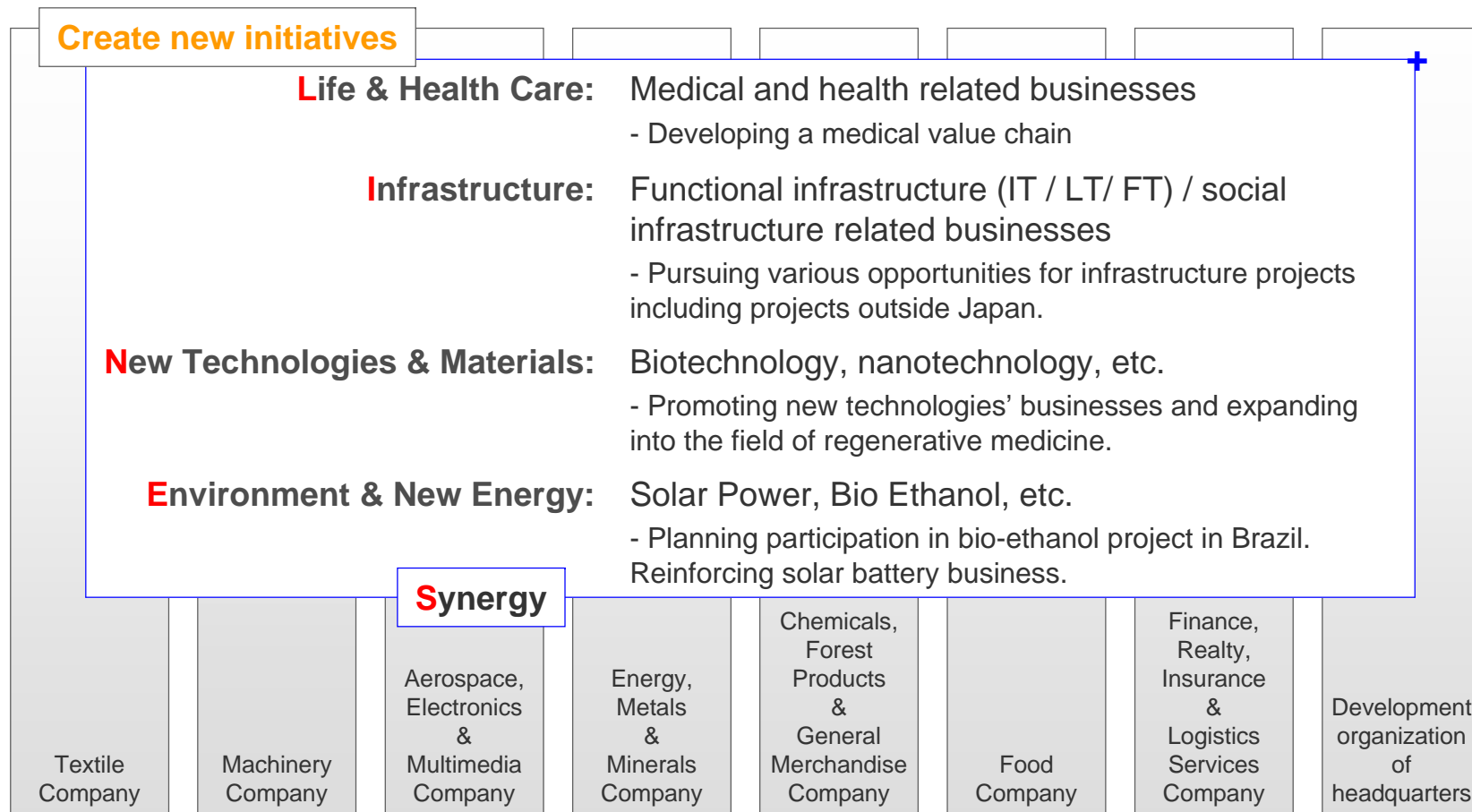


# Develop New Business Areas



## L-I-N-E-s - future earnings mainstays

✓ Total investment of approximately ¥20 billion in L-I-N-E-s during FY2008.

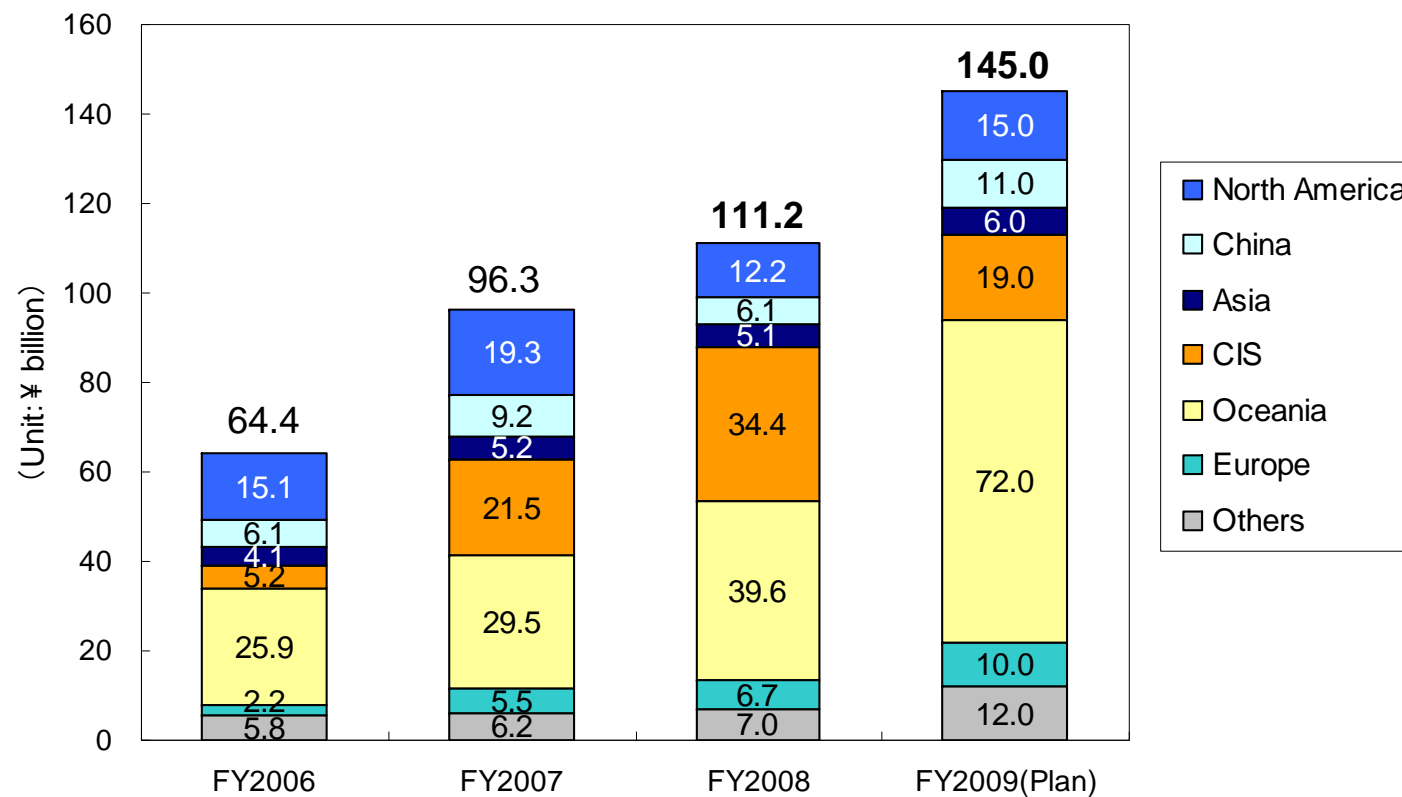


# Accelerate Overseas Business Development



## Increase earnings from overseas businesses\*

✓ Earnings from overseas subsidiaries and affiliates for FY2008 increased by ¥14.9 billion to ¥111.2 billion, compared with FY2007, mainly due to increase in earnings in CIS and Oceania.



\* Overseas businesses = overseas subsidiaries & affiliates

## **Frontier+ 2008 investment plan, result of FY2008 and forecast of FY2009**

- ✓ **Frontier+ 2008** earmarks total investment of ¥500 billion (gross) over 2 years (FY2008 - FY2009).
- ✓ Total investment of approximately ¥250 billion (gross) during FY2008.
- ✓ Expecting total investment of approximately ¥250 billion (gross) during FY2009.

## **Major investments**

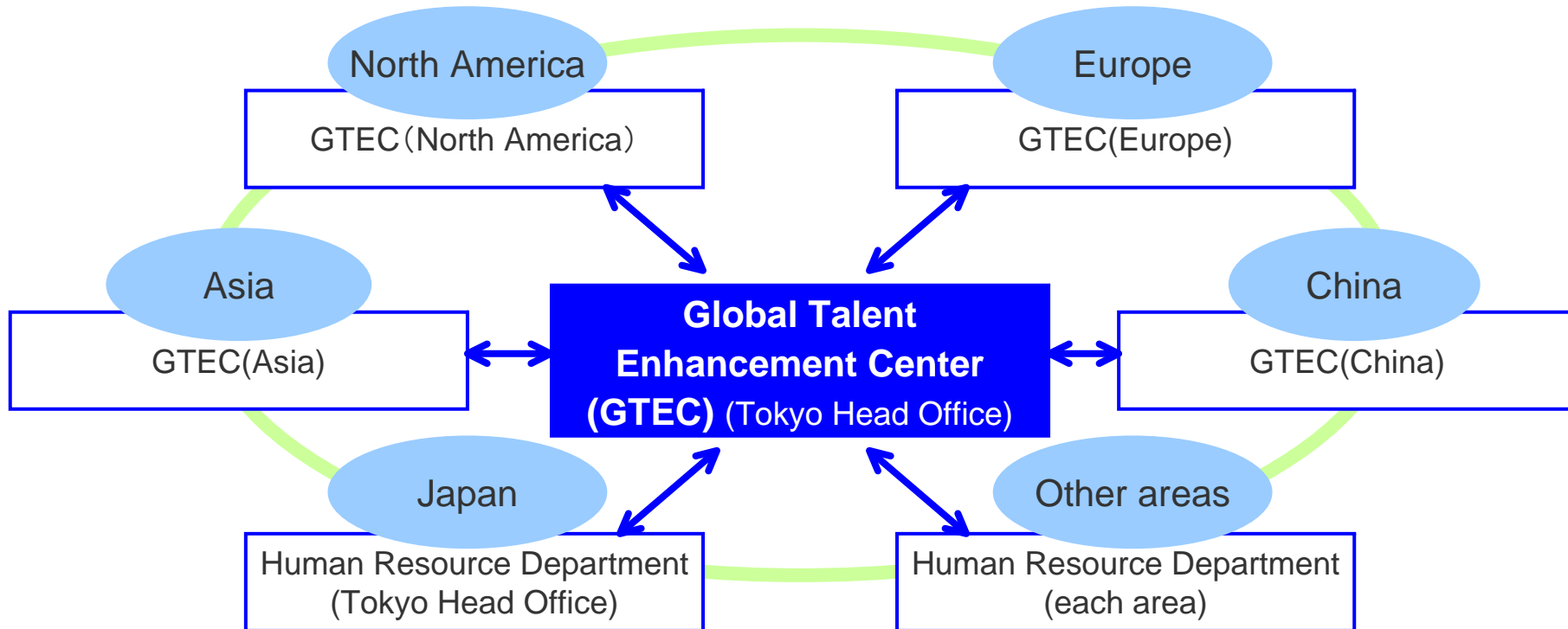
Sector	Gross amount invested(¥billion)	Major investments
<b>Consumer related sector</b>	Approx. 50	Capital tie-up with direct response television company Capital tie-up with a company involved in prepared foods business Acquisition of a floor covering distributor in the U.S., etc
<b>Natural resource/energy related sector</b>	Approx. 90	Acquisition of oil, gas interest in the Gulf of Mexico and Australia Additional Investment in a project for expanding iron ore business in Australia, etc
<b>Other sector</b>	Approx. 110	Acquisition of preferred shares issued by Orient Corporation Acquisition of a US photovoltaic power generation system integrator, etc

# Global Talent Enhancement Strategy



## Global Talent Enhancement Center (GTEC)

✓ Established Global Talent Enhancement Centers (GTEC) in New York, London, Shanghai, Singapore and Tokyo during FY2008.



# Frontier+ 2008 Quantitative Plan



## Result of FY2008 and Plan for FY2009

(Ended March 31)	FY2008 (result)	FY2009 (plan)
Net income	218.6	<b>240.0</b>
Total assets	5,255.4	<b>5,800.0</b>
Net DER	1.7 times	<b>1.6 times</b>
ROE	23.3%	<b>22.2%</b>

## Frontier+ 2008 original plan

(Ended March 31)	FY2008	FY2009
Net income	210.0	<b>210.0</b>
Total assets	5,800.0	<b>6,300.0</b>
Net DER	1.7 times	<b>Less than 1.7 times</b>
ROE	21.3%	

(Unit: ¥billion)

# Assumptions of FY2009 Plan



## Assumptions of FY2009 Plan

	FY2008 (result)	FY2009 (plan)	(Reference) Sensitivities on Net income of FY2009
Currency exchange (¥/\$)	116	<b>100</b>	(¥ 1.5 billion) (1 yen appreciation against USD)
Interest (%) TIBOR(¥)	0.8%	<b>0.9%</b>	(¥ 0.5 billion) (1% increase over the year)
Oil (\$/BBL)*	73	<b>84</b>	¥ 0.4 – 0.5 billion (\$1/BBL increase or decrease)
Iron ore (\$/ton)*	58	<b>To be determined</b>	} Immaterial **
Coal (hard coking)(\$/ton)*	98	<b>300</b>	
Coal (thermal coke)(\$/ton)*	55	<b>125</b>	

\* : Oil: Brent crude oil Iron ore, hard coking coal: benchmark price for Japan market

\*\* : Impact on net income from fluctuation of market price during the current fiscal year would be immaterial since, in terms of coal and iron ore, yearly contracts have been concluded for major sales contracts.

Assuming that sales price increase by \$1, while all other conditions reflected in the FY2009 business plan remain unchanged, sensitivities regarding coal and iron ore will be calculated as follows;

Iron ore ±¥ 0.7 billion, Coal ±¥ 0.5 billion.

Please note that the figures above will vary depending on results of various factors such as operating cost, sale volume, foreign currency exchange rate etc.

Equity oil and gas	57,200 BD***	<b>46,600 BD***</b>
Prorated production capacity of iron ore	9 million ton	<b>10 million ton</b>
Prorated production capacity of Coal	9 million ton	<b>9 million ton</b>

\*\*\* : BD = barrel per day

Crude oil price assumption : \$84/barrel(in FY2009), Natural gas: 6,000cf = 1 barrel

# Gross Trading Profit and Net Income Plan by Segments



- ✓ Net income is expected to increase in all business segments.
- ✓ Total Net income of FY2009 is expected to be ¥240 billion, a ¥21.4 billion increase compared with FY2008.

(Ended March 31)	Gross trading profit			Net income		
	FY2009 (Plan)	FY2008 (Result)	Increase (Decrease)	FY2009 (Plan)	FY2008 (Result)	Increase (Decrease)
Textile	<b>108.0</b>	<b>115.2</b>	<b>(7.2)</b>	<b>22.0</b>	<b>20.5</b>	<b>1.5</b>
Machinery	<b>101.0</b>	<b>100.5</b>	<b>0.5</b>	<b>23.0</b>	<b>22.6</b>	<b>0.4</b>
Aerospace, Electronics & Multimedia	<b>147.0</b>	<b>139.0</b>	<b>8.0</b>	<b>17.0</b>	<b>14.6</b>	<b>2.4</b>
Energy, Metals & Minerals	<b>204.0</b>	<b>127.5</b>	<b>76.5</b>	<b>128.0</b>	<b>105.7</b>	<b>22.3</b>
Chemicals, Forest Products & General Merchandise	<b>119.0</b>	<b>122.6</b>	<b>(3.6)</b>	<b>22.0</b>	<b>19.7</b>	<b>2.3</b>
Food	<b>335.0</b>	<b>324.7</b>	<b>10.3</b>	<b>22.0</b>	<b>18.7</b>	<b>3.3</b>
Finance, Realty, Insurance & Logistics Services	<b>52.0</b>	<b>41.4</b>	<b>10.6</b>	<b>13.0</b>	<b>10.8</b>	<b>2.2</b>
Other, Adjustments & Eliminations	<b>34.0</b>	<b>25.1</b>	<b>8.9</b>	<b>(7.0)</b>	<b>6.0</b>	<b>(13.0)</b>
<b>Total</b>	<b>1,100.0</b>	<b>995.9</b>	<b>104.1</b>	<b>240.0</b>	<b>218.6</b>	<b>21.4</b>

(Unit: ¥billion)

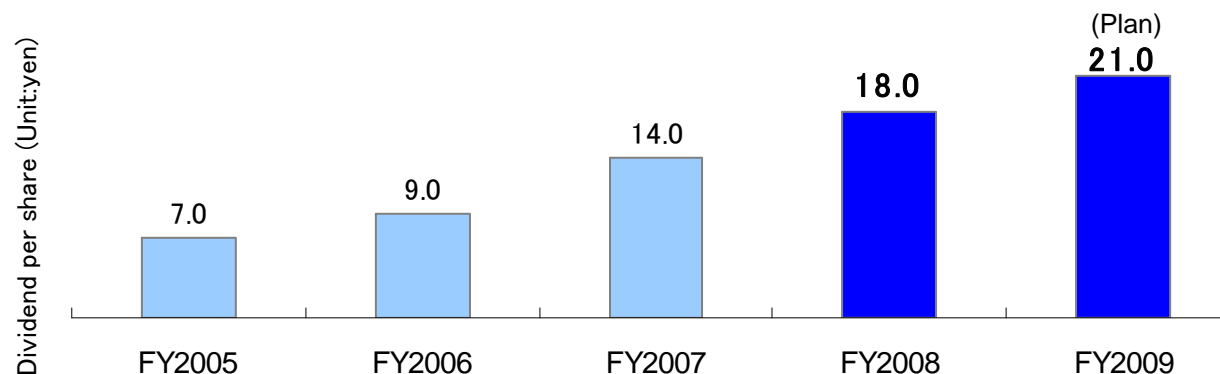
## Basic dividend policy

ITOCHU 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 FY2009 as well.

## Dividend policy for FY2008 and FY2009

ITOCHU plans to increase by ¥4 to ¥18 dividend payment per share for the fiscal year ended March 2008 (Interim dividend ¥8.5 was already paid) compared with the previous fiscal year. In FY2009, ITOCHU intends to increase by ¥3 to ¥21 dividend payment per share compared with FY2008.



**Forward-Looking Statements:**

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

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