

## SEMI-ANNUAL FINANCIAL STATEMENTS

For the six months ended September 30, 2007 and 2006

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**-Unaudited-**

October 30, 2007

**Consolidated Financial Results for the Six Months Ended September 30, 2007**

[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](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

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The date of issue of audited semi-annual financial statements Dec 6, 2007 (Planned)

The date of semi-annual payout of dividend Dec 4, 2007 (Planned)

**1. Consolidated operating results for the six months ended September 30, 2007 (from April 1, 2007 to September 30, 2007)**

(1) Consolidated operating results (Summary)

(%: Changes from the same period of 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	%
For the six months ended September 30, 2007	5,898,024	5.8	133,220	7.8	144,698	5.1	117,031	21.1
September 30, 2006	5,572,402	11.1	123,572	38.4	137,666	65.6	96,669	56.3
Fiscal year 2007	11,579,059	-	264,621	-	300,230	-	177,059	-

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

	Net income per share (basic)		Net income per share (diluted)	
	yen	yen	yen	yen
For the six months ended September 30, 2007	74.02		65.98	
September 30, 2006	61.12		-	
Fiscal year 2007	111.95		-	

(Reference) Equity in earnings (losses) of associated companies (millions of yen) Apr-Sep 2007 : 50,387 Apr-Sep 2006 : 25,697 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
September 30, 2007	5,408,034	1,030,039	19.0	651.58
September 30, 2006	5,206,359	791,127	15.2	500.23
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
For the six months ended September 30, 2007	16,587	(92,138)	(107,866)	352,421
September 30, 2006	69,628	(57,478)	(60,993)	428,984
Fiscal year 2007	235,917	(83,394)	(100,920)	532,856

**2. Dividend distribution**

	Dividend distribution per share		
	End of 1st half	Year-end	Annual
(Effective date)	yen	yen	yen
Fiscal year 2007	5.00	9.00	14.00
Fiscal year 2008	8.50		17.00
Fiscal year 2008 (planned)		8.50	

**3. Outlook of consolidated operating results for fiscal year 2008 (from April 1, 2007 to March 31, 2008)**

(%: Changes from the previous fiscal year)

	Total trading transactions		Trading income		Income before income taxes, minority interests and equity in earnings of associated companies		Net income		Net income per share (basic)	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen	yen
Fiscal year 2008	12,100,000	4.5	280,000	5.8	280,000	(6.7)	210,000	18.6	132.83	

\*Outlook of Trading income and Income before income taxes, minority interests and equity in earnings of associated companies and net income per share have been revised from the ones announced on April 27, 2007. For the details, please see the pages 15-16 "Outlook for Fiscal 2008".

#### 4. Other information

(1) Changes of classification of specified subsidiaries for the six months 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) Change 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 :	September 30, 2007	1,584,889,504	September 30, 2006	1,584,889,504
(including the number of treasury stock)	March 31, 2007	1,584,889,504		
(b) Number of treasury stock:	September 30, 2007	4,063,458	September 30, 2006	3,350,410
	March 31, 2007	3,693,789		
(c) Average number of common				
shares outstanding :	September 30, 2007	1,581,005,965	September 30, 2006	1,581,693,385
	March 31, 2007	1,581,543,157		

(Note) Please also see the page 31 "Per share Information".

#### \*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 contain 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 115.43 yen = 1 U.S. dollar, the exchange rate prevailing on September 30, 2007. 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 Situations

During the first half of fiscal 2008, the Japanese economy has continued mild expansion led by smooth increase in export for Asia and Europe in spite of weaker personal consumption due to abolished temporary income tax rate reduction and slight slowdown of growth of capital investment especially in small and medium-sized enterprises. Nikkei Stock Average briefly dropped to the 15,000 yens from the 17,000 yens at the beginning of this fiscal year influenced by worldwide falls in stock prices due to the worsened subprime housing loan issue in U.S., however, it was restored to the late 16,000 yen level by the end of September resulting from the prevalent prospects of steady recovery of global economy through policy coordination by the central banks of major countries. Regarding foreign exchange market, yen has recovered against U.S. dollar to the 115 yen level, triggered by the subprime loan issue, though with temporary depreciated yen rates for some time. The yield of 10-year Japanese government bond temporarily rose over 1.9% due to U.S. long-term interest rate rise and steady domestic economic trend, but at the end of September, dropped to almost the same level as the beginning of this fiscal year, around 1.6% level influenced by the reactionary fall of the U.S. interest rates.

Looking at overseas, the U.S. economy has continued to slow down its expansion speed due to housing investment decrease, and the Federal Fund Rate brought down by 0.5 point in September. Meanwhile, China has kept its high growth led by its strong investment demands, and Europe also has experienced steady expansion driven by good condition of domestic demands. Crude oil price reached up to 83 dollars per barrel due to the steady expansion of global economy in addition to unresolved geopolitical risks in Middle East and other areas.

### Operating Results

**Total trading transactions** for the six months ended September 30, 2007 increased by 5.8% or 325.6 billion yen to 5,898.0 billion yen (51,096 million U.S. dollars) compared with the same period of the previous fiscal year, mainly due to a transaction volume increase in crude oil accompanied by expansion of production in the oil fields owned, an increase in chemical product transactions, as well as an increase caused by turning NIPPON ACCESS, INC. into a consolidated subsidiary. [Note: 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 15.4% or 190.3 billion yen to 1,423.8 billion yen (12,335 million U.S. dollars) compared with the same period of the previous fiscal year, because of increasing transaction volume in crude oil brought by expansion of production in the oil fields owned, an increase in automobile business mainly to Europe, plus positive impact from turning NIPPON ACCESS, INC. into a consolidated subsidiary.

**Gross trading profit** increased by 16.4% or 69.4 billion yen to 491.3 billion yen (4,257 million U.S. dollars) compared with the same period of the previous fiscal year, due to an increase in crude oil sales volume following expansion of production in the oil fields owned, an increase in automobile business mainly to Europe, and an increase coming from turning NIPPON ACCESS, INC. into a consolidated subsidiary, despite some negative impact caused by slowdown of demands of housing materials.

**Selling, general and administrative expenses**, with increase accompanied by the expansion of business and turning NIPPON ACCESS, INC. into a consolidated subsidiary, increased by 21.2% or 62.6 billion yen to 358.0 billion yen (3,101 million U.S. dollars) compared with the same period of the previous fiscal year.

**Provision for doubtful receivables** improved by 2.9 billion yen to 0.1 billion yen (1 million U.S. dollars) compared with the same period of the previous fiscal year, mainly due to reversal of allowance for doubtful receivables accompanied by collection of receivables.

**Net financial expenses** improved by 1.7 billion yen to 2.0 billion yen (18 million U.S. dollars) compared with the same period of the previous fiscal year. Though **Net interest expenses** worsened by 15.2% or 2.1 billion yen to 15.9 billion yen (138 million U.S. dollars) mainly caused by rising borrowing interest rate, despite decrease of interest-bearing debt balance. **Dividends received** increased 38.4% or 3.8 billion yen to 13.8 billion yen (120 million U.S. dollars), mainly because of an increase of dividends from LNG-related investment.

Concerning the other profits and losses, in period-to-period comparison, **Gain on disposal of investments and marketable securities** decreased by 4.1 billion yen to 10.5 billion yen (91 million U.S. dollars) due to an increase of loss on devaluation of investment securities, **Gain/Loss on property and equipment-net** improved by 1.0 billion yen to gain of 0.2 billion yen (2 million U.S. dollars), and **Other-net** worsened by 1.3 billion yen to gain of 2.8 billion yen (24 million U.S. dollars).

As a result, **Income before income taxes, minority interests and equity in earnings of associated companies** increased by 5.1% or 7.0 billion yen to 144.7 billion yen (1,254 million U.S. dollars) compared with the same period of the previous fiscal year.

**Income taxes** increased 20.4% or 12.4 billion yen to 73.0 billion yen (633 million U.S. dollars) compared with the same period of the previous fiscal year.

**Equity in earnings of associated companies** increased by 96.1% or 24.7 billion yen to 50.4 billion yen (436 million U.S. dollars) . Profit of 52.2 billion was recorded at equity in earnings of Orient Corporation (hereinafter "Orico") accompanied by a gain recognition regarding exemption from obligation to redeem preferred stocks, which was brought by the reverse split of the preferred stocks in Orico. On the other hand, a devaluation loss of 26.2 billion yen was recognized through remeasurement of the per-share fair value of the Orico common stocks currently held, considering a dilution effect that the recent falling of Orico stock price might cause cheaper conversion at the preferred stock issued by Orico into common stock, and lead potential increase of number of common stock. [Note: Accompanied by a series of recognition of the equity in earnings of associated companies from Orico and the devaluation loss stated above, 10.7 billion yen of reversal of deferred tax asset for equity in investment in Orico is recognized and is displayed in Income taxes.]

As a result, **Net income** increased by 21.1% or 20.4 billion yen to 117.0 billion yen (1,014 million U.S. dollars) compared with the same period of the previous fiscal year after reflecting the cumulative effect mentioned above.

*Note: "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.*

### **Financial position**

**Total assets** as of September 30, 2007 increased by 2.6% or 136.5 billion yen to 5,408.0 billion yen (46,851 million U.S. dollars) compared with March 31, 2007, due to an increase in trade receivables in Energy, Metals & Minerals, Forest Products & General Merchandise, Chemicals, and Food; new investment mainly in energy-development sector and increase of investment in associated companies due to additional investment and increase in equity in earnings of associated companies in Orico.

**Stockholders' equity** increased by 14.9% or 133.8 billion yen compared with March 31, 2007, to 1,030.0 billion yen (8,923 million U.S. dollars) due to accumulation of Net income and an increase in Foreign currency translation adjustments through yen's depreciation, in spite of decrease in accordance with the dividend payment. **Ratio of stockholders' equity to total assets** improved by 2.0 points compared with March 31, 2007, to 19.0%.

**Interest-bearing debt** decreased by 3.6% or 77.3 billion yen to 2,088.4 billion yen (18,092 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 6.3% or 103.1 billion yen to 1,734.0 billion yen (15,022 million U.S. dollars) compared with March 31, 2007, being in line with decrease in Cash and cash equivalents and Time deposits (180.4 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 16.6 billion yen (144 million U.S. dollars) mainly due to good operating revenue from overseas resource-related business. **Cash flows from investing activities** recorded net cash-outflow of 92.1 billion yen (798 million U.S. dollars) mainly due to new investments in energy development sector and additional investment in Orico. **Cash flows from financing activities** recorded net cash-outflow of 107.9 billion yen (934 million U.S. dollars) as a result of continuous efforts to reduce interest-bearing debt.

As a result, the current balance of Cash and cash equivalents as of September 30, 2007 decreased by 180.4 billion yen to 352.4 billion yen (3,053 million U.S. dollars) compared with March 31, 2007.

*Note: 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 115.43 yen = 1 U.S. dollars, the exchange rate prevailing on September 30, 2007. 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.*

## 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	(Forecast) 12,100.0
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	(Forecast) 1,010.0
Income before income taxes	1st Half	25.4	69.6	83.1	137.7	144.7
	Full year	(92.0)	120.0	216.9	300.2	(Forecast) 280.0
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	(Forecast) 210.0

(\*)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	Sep. 2007
Total assets	4,487.3	4,472.3	4,797.0	5,271.5	5,408.0
Interest-bearing debt	2,561.9	2,346.7	2,226.5	2,165.6	2,088.4
(Cash and cash equivalents and time deposits)	(584.9)	(455.6)	(502.2)	(534.7)	(354.3)
Net interest-bearing debt	1,977.0	1,891.1	1,724.3	1,630.9	1,734.0

Stockholders' equity	422.9	510.4	726.8	896.2	1,030.0
Stockholders' equity per share (Yen)	267.25	322.54	459.47	566.78	651.58

R O A (Return on assets)	- %	1.74%	3.13%	3.52%	(*) 2.19%
R O E (Return on equity)	- %	16.7%	23.5%	21.8%	(*) 12.2%
Net debt-to-equity ratio (times) (**)	4.7	3.7	2.4	1.8	1.7

(\*)ROA and ROE are calculated by using the net income for the six months ended September 30, 2007.

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

### 【Stock price information】

(Unit: Yen)

		2004	2005	2006	2007	Apr-Sep. 2007
Stock price	(Highest)	480	573	1,056	1,223	1,591
	(Lowest)	231	403	484	837	1,100
	(Closing)	468	540	1,011	1,168	1,395
(Reference) Nikkei Stock Average (*)		11,715	11,668	17,059	17,287	16,785

(\*) Nikkei Stock Average: Year-end (or half-year-end for fiscal year 2008) 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 September 30, 2007.

### ***(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 as well as import/export trade between overseas affiliates. 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, the domestic economy has a relatively strong influence on the consumer and retail-related segments such as textiles and food. 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. 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 risks. ITOCHU is also working to minimize foreign exchange rate risks using derivative transactions such as forward exchange contracts and currency swap contracts. However, ITOCHU cannot guarantee a complete avoidance of such foreign exchange rate risks 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 risks 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 setting and managing a balance limit and loss cut limit for each individual product and conducting periodic reviews.

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

ITOCHU Group also participates in resource development businesses such as the metal and energy sector and other manufacturing businesses. Production in these businesses is also exposed to the same commodity price risks 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.

ITOCHU strives to maintain appropriate levels of investment and to minimize stock price risk by applying Exit Rule for inefficient investments that ITOCHU 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, 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.

Occurrence of credit risks 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 risks resulting from regulations imposed by foreign governments, political instability, or restrictions on the transfers of funds. In response to these country risks, 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 sustainability of ITOCHU Group's transactions and 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 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'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 corporate bonds and commercial papers.

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 September 30, 2007, 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 through the compliance program that the Group has created. Despite this, ITOCHU cannot deny that additional regulations or abrupt changes in regulations by legislative, judicial, and regulatory bodies are a possibility both domestically and overseas. Also 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.

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, 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 has established information systems to facilitate the sharing of information internally within ITOCHU Group and externally with clients, and to improve the efficiency of operations. In order to maintain a secure operation of ITOCHU's information systems, ITOCHU has established firewalls to prevent outside intrusions to the network, established security guidelines, and has developed crisis control measures. Despite these measures, ITOCHU 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.

## Performance of Group Companies (1)

For the six months ended September 30, 2007 and 2006

### Components of Consolidated Net Income

(Unit: billion yen)	Apr-Sep 2007	Apr-Sep 2006	Increase (Decrease)	
Parent company	30.1	39.1	(8.9)	
Group companies excluding overseas trading subsidiaries	(*) 81.8	69.7	12.2	(*)includes the tax effect accounting treatment relating to the equity in investment in Orient Corporation.
Overseas trading subsidiaries	11.2	10.0	1.2	
Subtotal	123.2	118.7	4.5	
Consolidation adjustments	(6.1)	(22.1)	15.9	
Consolidated net income	117.0	96.7	20.4	
Adjusted profit	181.7	148.5	33.2	(Note) Adjusted profit = Gross trading profit + SG&A expenses + Net financial expenses + Equity in earnings of associated companies

### Number of Group Companies

	September 30, 2007			March 31, 2007			Increase	Decrease	Changes within Group	Net changes
	Domestic	Overseas	Total	Domestic	Overseas	Total				
Subsidiaries	197	222	419	212	226	438	+ 11	(27)	0	(3)
Equity-method associated companies	99	114	213	102	111	213	+ 12	(15)	0	+ 3
Total	296	336	632	314	337	651	+ 23	(42)		(19)

### Number of Direct Controlled Companies

	September 30, 2007			March 31, 2007			Increase	Decrease	Changes within Group	Net changes
	Domestic	Overseas	Total	Domestic	Overseas	Total				
Subsidiaries	122	138	260	129	140	269	+ 6	(13)	0	(2)
Equity-method associated companies	69	87	156	71	83	154	+ 7	(7)	0	+ 2
Total	191	225	416	200	223	423	+ 13	(20)		(7)

(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)								
	Apr-Sep 2007			Apr-Sep 2006			Increase (Decrease)		
	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Group companies excluding overseas trading subsidiaries	(*) 98.6	(16.7)	81.8	76.6	(6.9)	69.7	21.9	(9.8)	12.2
Overseas trading subsidiaries	11.4	(0.2)	11.2	10.6	(0.6)	10.0	0.8	0.4	1.2
Total	109.9	(16.9)	93.0	87.2	(7.6)	79.7	22.7	(9.3)	13.4

### Number/Share of Group Companies Reporting Profits

		Apr-Sep 2007			Apr-Sep 2006			Increase (Decrease)		
		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Subsidiaries	Domestic	156	41	197	190	35	225	(34)	6	(28)
	Overseas	187	35	222	173	51	224	14	(16)	(2)
	Total	343	76	419	363	86	449	(20)	(10)	(30)
Equity-method associated companies	Share (%)	81.9%	18.1%	100.0%	80.8%	19.2%	100.0%	1.0%	(1.0)%	
	Domestic	69	30	99	71	29	100	(2)	1	(1)
	Overseas	77	37	114	91	29	120	(14)	8	(6)
Total	Total	146	67	213	162	58	220	(16)	9	(7)
	Share (%)	68.5%	31.5%	100.0%	73.6%	26.4%	100.0%	(5.1)%	5.1%	
	Domestic	225	71	296	261	64	325	(36)	7	(29)
Total	Overseas	264	72	336	264	80	344	0	(8)	(8)
	Total	489	143	632	525	144	669	(36)	(1)	(37)
	Share (%)	77.4%	22.6%	100.0%	78.5%	21.5%	100.0%	(1.1)%	1.1%	

### Profits/Losses of Group Companies Reporting Profits/Losses

		(Unit: billion yen)								
		Apr-Sep 2007			Apr-Sep 2006			Increase (Decrease)		
		Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Subsidiaries	Domestic	19.4	(10.0)	9.4	18.9	(2.0)	16.9	0.5	(8.0)	(7.5)
	Overseas (**)	47.1	(3.0)	44.1	39.4	(2.3)	37.1	7.7	(0.7)	7.0
	Total	66.5	(13.0)	53.5	58.3	(4.3)	54.0	8.2	(8.7)	(0.4)
Equity-method associated companies	Domestic	(*) 35.6	(2.5)	33.1	20.6	(2.5)	18.2	14.9	0.0	14.9
	Overseas	7.9	(1.5)	6.4	8.3	(0.8)	7.5	(0.5)	(0.7)	(1.1)
	Total	43.4	(3.9)	39.5	28.9	(3.2)	25.7	14.5	(0.7)	13.8
Total	Domestic	55.0	(12.4)	42.5	39.5	(4.5)	35.1	15.4	(8.0)	7.5
	Overseas	55.0	(4.5)	50.5	47.7	(3.1)	44.6	7.3	(1.4)	5.9
	Total	109.9	(16.9)	93.0	87.2	(7.6)	79.7	22.7	(9.3)	13.4

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

	Apr-Sep 2007			Apr-Sep 2006			Increase (Decrease)		
	Profits	Losses	Total	Profits	Losses	Total	Profits	Losses	Total
Overseas trading subsidiaries	11.4	(0.2)	11.2	10.6	(0.6)	10.0	0.8	0.4	1.2

### Major New Group Companies

Business Field	Name	Country	Shares	Categories
Textile	I.P.JAQ KNITTING LIMITED	Bangladesh	( 80.0 %)	Manufacture and sale of knitwear
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
Energy	CIECO E&P(Namibia) Co.,Ltd.	Japan	( 50.0 %)	Upstream development of crude oil & gas
Chemicals	AK&N (UK) Limited	U.K.	( 25.0%)	Manufacture and sale of resin compounds

**Performance of Group Companies (2)**

For the six months ended September 30, 2007 and 2006

**Major Group Companies**

(Unit: billion yen)

	Name	Shares	Method of Consolidation	ITOCHU's share of Net income (*1)		Categories	Fiscal 2008 Forecasts
				Apr-Sep 2007	Apr-Sep 2006		
Textile	JOYX CORPORATION	100.0%	Consolidation	0.1	0.1	Sale of men's apparel	1.1
	Prominent Apparel Ltd. (Hong Kong)	100.0%	Consolidation	0.3	0.3	Production control and wholesale of textile and apparel	0.6
	Tommy Hilfiger Japan, Corporation	75.0%	Consolidation	0.5	0.3	Sale of Tommy Hilfiger brand products	0.8
Machinery	ITOCHU Sanki Corporation	100.0%	Consolidation	0.2	0.3	Wholesale of industrial machinery	0.4
	ITOCHU CONSTRUCTION MACHINERY CO., LTD.	100.0%	Consolidation	0.6	0.3	Sale and rental of construction machinery	0.9
	MCL Group Limited (U.K.)	100.0%	Consolidation	0.0	(0.3)	Warehousing, Retail and financing of motor vehicles	0.0
	ITOCHU Automobile America Inc. (U.S.A.)	100.0%	Consolidation	0.8	0.6	Retail, distribution, and trade of motor vehicles	1.1
	Century Leasing System, Inc.	20.3%	Equity	0.8	0.8	Diversified leasing business	(*3)
Aerospace, Electronics & Multimedia	ITOCHU Techno-Solutions Corporation	50.7%	Consolidation	2.6	(*4) 3.1	System consultation, integration, administration, maintenance, support, training and outsourcing	(*3)
	Excite Japan Co., Ltd.	59.7%	Consolidation	(*2)	0.1	Internet directory service, information searching and providing service	(*3)
	ITC NETWORKS CORPORATION	60.8%	Consolidation	0.9	0.6	Retail network of mobile phones	(*3)
	NANO Media Inc.	51.4%	Consolidation	(*2)	0.0	Content publishing, mobile site operation and application development	(*3)
	SPACE SHOWER NETWORKS INC.	50.8%	Consolidation	0.1	0.1	Music channel on cable/satellite television	(*3)
	JAMCO Corporation	33.3%	Equity	(*2)	0.0	Maintenance of aircraft and manufacture of aircraft interior	(*3)
	SUNCALL CORPORATION	21.3%	Equity	(*2)	0.3	Manufacturing and sale of optical communication devices, electronic devices, and assembly	(*3)
Energy, Metals & Minerals	ITOCHU Non-Ferrous Materials Co., Ltd.	100.0%	Consolidation	0.4	0.7	Import/ Export and wholesale of non-ferrous/light metals and products	1.2
	ITOCHU Petroleum Japan Ltd. (*6)	100.0%	Consolidation	1.8	1.0	International trade of crude oil and petroleum products, charter and operation of oil tankers, sale of bunker fuel oil, operation of oil storage facilities	3.0
	ITOCHU Minerals & Energy of Australia Pty Ltd (*7) (Australia)	100.0%	Consolidation	13.8	13.8	Investment in projects of iron ore, coal and bauxite mining, manufacture of alumina and oil exploration	26.8
	ITOCHU Oil Exploration (Azerbaijan) Inc. (Cayman)	100.0%	Consolidation	16.0	10.3	Exploration and production of crude oil and gas	30.4
	Marubeni-Itochu Steel Inc.	50.0%	Equity	8.2	9.2	Import/Export and wholesale of steel products	15.5
	ITOCHU ENEX CO., LTD.	39.2%	Equity	(*2)	0.6	Wholesale of petroleum products	(*3)
Chemicals, Forest Products & General Merchandise	ITOCHU Kenzai Corp.	86.9%	Consolidation	0.3	1.5	Wholesale of wood products and building materials	0.7
	ITOCHU Pulp & Paper Corp.	100.0%	Consolidation	0.4	0.4	Wholesale of paper, paperboards, and various paper materials	0.9
	ITOCHU CHEMICAL FRONTIER Corporation	96.2%	Consolidation	0.8	0.8	Wholesale of fine chemicals and related raw materials	1.7
	ITOCHU PLASTICS INC.	100.0%	Consolidation	1.6	1.3	Development and wholesale of plastics and related products	2.9
	DAIKEN CORPORATION	19.5%	Equity	(*2)	0.0	Manufacture of building materials and construction parts	(*3)
	TAKIRON Co., Ltd.	26.9%	Equity	(*2)	0.3	Manufacture of flat and corrugated plastic sheets	(*3)
	C.I. KASEI Co., Ltd.	36.1%	Equity	(*2)	0.1	Manufacture of PVC pipe and film and related materials	(*3)
Food	ITOCHU SHOKUHI Co., Ltd.	50.1%	Consolidation	(*2)	0.7	Wholesale and distribution of foods	(*3)
	NIPPON ACCESS, INC.	69.8%	Consolidation	(*2) (*5) 1.5	1.5	Wholesale and distribution of foods	(*3)
	Japan Foods Co., Ltd.	34.7%	Equity	(*2)	0.1	Production of soft drinks	(*3)
	Fuji Oil Co., Ltd.	25.6%	Equity	(*2)	0.3	Integrated manufacturer of cooking oil and soybean protein	(*3)
	FamilyMart Co., Ltd.	31.0%	Equity	3.0	3.0	Operation of a convenience store chain, using the name FamilyMart and a franchise system	(*3)
	Prima Meat Packers, Ltd.	39.8%	Equity	(*2)	0.8	Production and marketing of meat, ham, sausage and processed foods	(*3)
Finance, Realty, Insurance & Services	ITOCHU Finance Corporation	90.1%	Consolidation	0.1	1.1	Loan and other finance-related business	0.4
	CENTURY 21 REAL ESTATE OF JAPAN LTD.	55.3%	Consolidation	0.2	0.2	Headquarters of real estate franchise system	(*3)
	FX PRIME Corporation	85.1%	Consolidation	0.3	0.0	Foreign exchange margin trade	0.5
	Orient Corporation	32.2%	Equity	(*2)	0.7	Consumer credit	(*3)
	i-LOGISTICS CORP.	49.2%	Equity	(*2)	0.3	Comprehensive logistics services	(*3)
Other	eGuarantee, Inc.	36.0%	Equity	(*2)	0.0	Integrated payment solutions through the eGuarantee financial portal for B2B marketplaces and financing providers	(*3)
	Century Medical, Inc.	100.0%	Consolidation	0.0	0.1	Wholesale of medical equipment and materials	0.3
Overseas	ITOCHU International Inc. (*8) (U.S.A.)	100.0%	Consolidation	4.7	6.2	U.S. trading subsidiary	11.7
	ITOCHU Europe PLC. (U.K.)	100.0%	Consolidation	0.6	(0.4)	European trading subsidiary	1.1
	ITOCHU Hong Kong Ltd. (Hong Kong)	100.0%	Consolidation	1.4	1.0	Hong Kong trading subsidiary	2.5
	ITOCHU (China) Holding Co., Ltd. (China)	100.0%	Consolidation	1.4	1.0	China trading subsidiary	2.9
	ITOCHU Australia Ltd. (*7) (Australia)	100.0%	Consolidation	0.7	0.7	Australian trading subsidiary	1.4

 (\*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. ITOCHU's share of net income which was disclosed before Oct. 30, 2007 are only indicated.

Also, please see explanation of "Equity in earnings of associated companies" in the part of "Operating Results" of "Summary of Operations" in page 4., which note about Orient Corporation.

(\*3) Each companies' forecasts of fiscal 2008 on Oct. 29 are as the following list.

(\*4) The net income of ITOCHU Techno-Solutions Corporation for Apr-Sep 2006 includes that of CRC Solutions Corp.

(\*5) The net income of NIPPON ACCESS, INC. for Apr-Sep 2006 includes that of NISHINO TRADING CO., Ltd..

Name	Companies' Forecasts	Date of Forecasts	Shares	ITOCHU's Share of Forecasts	(Expected) Date of Announcement
Century Leasing System, Inc.	8.0	Apr. 27	20.3%	1.6	Oct. 26
ITOCHU Techno-Solutions Corporation	16.7	Apr. 27	50.7%	8.5	Oct. 29
Excite Japan Co., Ltd.	0.3	May. 11	59.7%	0.2	Oct. 30
ITC NETWORKS CORPORATION	2.9	Apr. 27	60.8%	1.8	Oct. 26
NANO Media Inc.	(0.3)	Oct. 29	51.4%	(0.1)	Oct. 30
SPACE SHOWER NETWORKS INC.	0.4	Apr. 27	50.8%	0.2	Oct. 25
JAMCO Corporation	1.0	Apr. 27	33.3%	0.3	Nov. 6
SUNCALL CORPORATION	1.9	May. 15	21.3%	0.4	Nov. 8
ITOCHU ENEX CO., LTD.	5.2	May. 2	39.2%	2.0	Oct. 31
DAIKEN CORPORATION	1.6	Oct. 18	19.5%	0.3	Nov. 12
TAKIRON Co., Ltd.	1.6	May. 15	26.9%	0.4	Nov. 13
C.I. KASEI Co., Ltd.	1.0	May. 21	36.1%	0.4	Nov. 15
ITOCHU SHOKUHI Co., Ltd.	3.2	May. 14	50.1%	(Note1)	Nov. 13
Japan Foods Co., Ltd.	0.7	Apr. 26	34.7%	0.2	Oct. 30
Fuji Oil Co., Ltd.	3.3	May. 10	25.6%	0.8	Nov. 8
FamilyMart Co., Ltd.	15.2	Apr. 11	31.0%	4.7	Oct. 10
Prima Meat Packers, Ltd.	2.7	May. 18	39.8%	1.1	Nov. 16
CENTURY 21 REAL ESTATE OF JAPAN LTD.	0.8	Apr. 26	55.3%	0.4	Oct. 26
Orient Corporation	11.8	May. 15	32.2%	(Note2)	Nov. 14
i-LOGISTICS CORP.	1.4	Apr. 27	49.2%	0.7	Oct. 30
eGuarantee, Inc.	0.2	May. 14	36.0%	0.1	Nov. 14

These figures exclude U.S. GAAP adjustments.

Note1. The fiscal year for ITOCHU SHOKUHI Co., Ltd. ends in September, which is different from ITOCHU's. Therefore, ITOCHU has declined to announce the net income for this company 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.

Note2. ITOCHU has adopted US GAAP, which prescribes a substantial number of different accountings from the 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 estimated value announced by the said company and ITOCHU's estimated value which is calculated by multiplying the adjusted value to U.S. GAAP by the share(%).

**Performance of Group Companies (3)**

For the six months ended September 30, 2007 and 2006

**Major Group Companies Reporting Profits**

(Unit: billion yen)

Name	Segment (*9)	Shares	ITOCHU's share of Net income (*1)		Comments
			Apr-Sep 2007	Apr-Sep 2006	
[Domestic subsidiaries]					
ITOCHU Techno-Solutions Corporation	Aer	50.7%	2.6	(*4) 3.1	Decrease due to expense arisen from the growth in number of employees and expansion of offices
ITOCHU Petroleum Japan Ltd.	(*6) Ene	100.0%	1.8	1.0	Increase due to favorable transactions in crude oil & heavy oil
ITOCHU PLASTICS INC. fabrics	Che Fin	100.0%	1.6 1.0	1.3 -	Increase due to good performance in plastics materials Increase with contribution by selling off retained real estate
ITC NETWORKS CORPORATION	Aer	60.8%	0.9	0.6	Increase due to enlarged profit base resulting from the merger of Idomco Communications Co. Ltd
ITOCHU CHEMICAL FRONTIER Corporation	Che	96.2%	0.8	0.8	Secured the same level of profit as the previous year due to continued good sales in polymer materials
ITOCHU CONSTRUCTION MACHINERY CO., LTD.	Mac	100.0%	0.6	0.3	Increased gross trading profit associated with the sales increase in construction machinery
Tommy Hilfiger Japan, Corporation	Tex	75.0%	0.5	0.3	Steady growth in the sales of Tommy Hilfiger brand products
IMECS Co., Ltd.	Mac	100.0%	0.5	0.1	Increase resulting from a ship disposal
ITOCHU Pulp & Paper Corp.	Che	100.0%	0.4	0.4	Steady growth in sales of manufactured products
ITOCHU Automobile Corporation	Mac	100.0%	0.4	0.3	Increase due to improved gross trading profit rate and increased dividend receipt
[Overseas subsidiaries]					
ITOCHU Oil Exploration (Azerbaijan) Inc.	(Cayman) Ene	100.0%	16.0	10.3	Increase in sales volume accompanied by oil production volume increase
ITOCHU Minerals & Energy of Australia Pty Ltd	(*7)(Australia) Ene	100.0%	13.8	13.8	Almost unchanged due to depreciation of yen in spite of fall in coal prices
ITOCHU International Inc.	(*8) (U.S.A.) Ove	100.0%	4.7	6.2	Decrease due to loss from associated companies, including general merchandise related subsidiaries
PrimeSource Building Products, Inc.	(*8) (U.S.A.) Che	100.0%	2.4	3.6	Decrease with influence of declined number of house-buildings in U.S.
ITOCHU Petroleum Co., (Hong Kong) Ltd.	(Hong Kong) Ene	100.0%	2.1	0.0	Good performance in uranium transactions
ITOCHU (China) Holding Co., Ltd.	(China) Ove	100.0%	1.4	1.0	Increase due to good machinery and chemical transactions
ITOCHU Hong Kong Ltd.	(Hong Kong) Ove	100.0%	1.4	1.0	Increase due to gain on sales of investment securities
ITOCHU (THAILAND) LTD.	(Thailand) Ove	100.0%	0.8	0.5	Increase due to gain on sales of investment securities
ITOCHU Automobile America Inc.	(U.S.A.) Mac	100.0%	0.8	0.6	Increased due to gain on sales of investment securities in spite of automobile market shrinkage in North America
ITOCHU Singapore Pte, Ltd.	(Singapore) Ove	100.0%	0.8	0.5	Increase due to good performance in General Merchandise related transactions
ITOCHU Australia Ltd.	(*7) (Australia) Ove	100.0%	0.7	0.7	Almost unchanged due to depreciation of yen despite decrease in equity in earning of group companies
[Domestic equity-method associated companies]					
Marubeni-Itochu Steel Inc.	Ene	50.0%	8.2	9.2	Decrease due to decline in building materials related business in U.S.
FamilyMart Co., Ltd.	Fod	31.0%	3.0	3.0	Steady growth due to increase in number of customers and improvement of sales in existing stores
AI Beverage Holding Co., Ltd.	Fod	20.0%	1.2	0.8	Favorable sales in tea beverages
Century Leasing System, Inc.	Mac	20.3%	0.8	0.8	Almost unchanged due to increased deferred sales transaction and gain on sales of investment securities in the same period of the previous year
Japan Brazil Paper and Pulp Resources Development Co., Ltd	Che	25.9%	0.5	0.6	Decrease due to appreciation of Real even with higher pulp price and production increase
Japan Ohanet Oil & Gas Co., Ltd.	Ene	35.0%	0.5	0.4	Steadily natural gas related production
[Overseas equity-method associated companies]					
Chemoil Energy Limited	(*6) (Hong Kong) Ene	37.5%	0.8	2.1	Decrease due to volume decrease and unfavorable market prices in heavy oil transactions

**Major Group Companies Reporting Losses**

(Unit: billion yen)

Name	Segment (*9)	Shares	ITOCHU's share of Net income (*1)		Comments
			Apr-Sep 2007	Apr-Sep 2006	
[Domestic subsidiaries]					
ITOCHU Property Development, Ltd.	Fin	99.9%	(7.1)	(0.2)	Worsened due to devaluation of real estate for sale in accordance with sales policy change for long-term development projects
I.C.S. Co., Ltd.	Che	95.0%	(0.6)	(0.1)	Worsened due to expenses from removal and renovation of some shops
[Overseas subsidiaries]					
Am-Pac Tire Distributors, Inc.	(*8) (U.S.A.) Che	100.0%	(1.2)	0.0	Worsened due to impairment of goodwill and trademark rights
ITC VENTURES VIII, INC	(U.S.A.) Aer	98.1%	(0.4)	0.0	Worsened fund investment profit
CIECO Energy (US) Limited	(U.S.A.) Ene	100.0%	(0.3)	-	Expense incurred by increased exploration cost etc
P.T. Aneka Bumi Pratama	(Indonesia) Che	100.0%	(0.3)	0.2	Worsened due to higher prices of raw materials arising from bad weathers
[Domestic equity-method associated companies]					
On Demand TV, Inc.	Aer	44.0%	(1.0)	(0.9)	Worsened due to prior expenses for expansion of number of customers
[Overseas equity-method associated companies]					
P.T. PEMBANGUNAN DELTAMAS P.T. PURADELTA LESTARI	(Indonesia) Fin	25.0%	(0.2)	(0.1)	Worsened due to reduction in the number of housing sales

(\*6) The net income of ITOCHU Petroleum Japan Ltd. includes that of Chemoil Energy Limited. (Apr-Sep 2007:15.5%, Apr-Sep 2006:18.2%)

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

(\*8) The net income of ITOCHU International Inc. includes 80% of that of PrimeSource Building Products, Inc. and 40% of that of Am-Pac Tire Distributors, Inc.

(\*9) Tex : Textile

Mac : Machinery

Aer : Aerospace, Electronics &amp; Multimedia

Ene : Energy, Metals &amp; Minerals

Che : Chemicals, Forest Products &amp; General Merchandise

Fod : Food

Fin : Finance, Realty, Insurance &amp; Logistics Services

Ove : Overseas trading subsidiaries

## Management Policy

### Enhancing Corporate Value on the World Stage

ITOCHU has set out on the new two year mid-term management plan, "Frontier<sup>+</sup> 2008 - Enhancing Corporate Value on the World Stage -" with fiscal 2008 as its starting year. In "Frontier<sup>+</sup> 2008", inheriting the concept of "Frontier-2006", while striving to be more aggressive. Simultaneously, ITOCHU has set its basic policy on aiming to become "a Global Enterprise, highly attractive to all stakeholders".

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

Consumer and Retail related area: In Textile, ITOCHU has promoted brand business by concluding exclusive import and sales agreements with Aigner and Luigi Borrelli, and as overseas deployment, by building a knit manufacturing pilot plant in Bangladesh to start sales of high value-added knitwear. In high-tech and eco-business area, INKMAX CO., LTD. has succeeded in developing eco-friendly ink for dyeing fibers in cooperation with Mitsubishi Pencil Co., Ltd. to take the initiative in getting ready for the commercial scale of anhydrous dyeing business.

In Food, ITOCHU acquired 8% stocks of Kanemi Co., Ltd. to enter into business tie-ups with the company for supporting retail function in the expanding market of prepared meal. Also, NIPPON ACCESS. INC. merged NISHINO TRADING CO., Ltd. on April 1, and is strengthening food distribution area while keeping solid ties with local wholesale businesses.

Natural Resource Development: ITOCHU has acquired 20% of interest of oil and gas production/development in the offshore area of Victoria, the south-east part of Australia, through a subsidiary, and based on the acquired interest, we are planning to lead to future expansion of exploring and developing activities in Australia. In addition, ITOCHU has acquired 20% of interest in the offshore gas field in the south of Namibia, and is now conducting assessments in cooperation with Tullow Oil plc.(U.K.) and National Petroleum Corporation of Namibia (NAMCOR), intending to formulate a development plan with a view to starting LNG business. Furthermore, the iron ore business in Australia reported a good performance. In addition, a good performance seen in crude oil, petroleum product transactions and steel product transactions in the trading area.

Taking up other areas: based on the business alliance agreement with Akebono Brake Industry Co., Ltd., a sales company dealing in brakes for industrial machines and trains has been established with 60% of investment by Akebono Brake Industry and 40% of investment by ITOCHU Automobile Corporation, one of ITOCHU's subsidiaries. In chemical area, ITOCHU, jointly with Sumitomo Chemical Co., Ltd. and TOYO INK MFG CO., LTD., has acquired AK&N (UK) Limited, which holds business bases in U.K. and France, in order to promote plastic compound business mainly in polypropylene used for automobile industries in European markets. In aviation area, ITOCHU has bought more stocks of JAMCO Corporation up to 33.3% of its total shares in order to reinforce commercial aviation business platform. In mobile business, ITOCHU participated in the investment on Adways Co., Ltd. with a view to business alliance in internet/mobile affiliate advertisement service. Also, Famima Credit Corporation accepted capital injection from Culture Convenience Club Co., Ltd. to tie up with the company in membership card business.

As for the prioritized area for new business ventures, "L-I-N-E-s"(See Note), ITOCHU has acquired 100% stake in one of the top companies in sales of solar power systems for residential use in U.S., Solar Depot Inc.

(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).

### **The mid-term management plan: "Frontier<sup>+</sup> 2008"**

In our new two year mid-term management plan, "Frontier<sup>+</sup> 2008 - Enhancing Corporate Value on the World Stage-" with fiscal 2008 as its starting year, ITOCHU has determined (1) to develop businesses with global perspective and enhance profit worldwide, (2) to leverage changes, take on challenges and open up new business areas, and (3) to enhance human resources by seeking, fostering and utilizing the talents of personnel worldwide.

To achieve these objectives, ITOCHU has been engaged in the following three key measures.

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

ITOCHU takes actions to "open up new areas" and "accelerate overseas operations" for achieving sustainable high growth as Global Enterprise. Furthermore, in "strengthening core businesses", ITOCHU prioritizes growth rate and promotes strategic investments and opportunities to achieve sustainable growth.

Second, "Solid management".

ITOCHU continues to improve its financial position and continue strict risk management. ITOCHU enhances the transparency of decision-making process and enhances the corporate governance with proper check and monitor system.

For internal control, ITOCHU established Internal Control Committee in this April to assure further improvements.

For CSR (Corporate Social Responsibility) activities, ITOCHU is engaged in a more proactive and positive manner with such activities as publishing a Chinese version of CSR report from this year in addition to the existing Japanese version and English one. ITOCHU has also been pursuing "ITOCHU DNA Project - Designing New Age -" since April, 2006, and now reached the stage to narrow down the list of business process re-engineering focal points. The next stage will be to define the requirements for those reforms to proceed to the implementation.

Thirdly, "Human resources strategy".

ITOCHU set up Global Human Resource Development Centers last October to implement human resources strategy with global perspective and utilizes the talents of diversified human resources across the Group worldwide. as Global Enterprise, ITOCHU enhances corporate value to reward its stakeholders and contributes to regional and global societies including proactive approaches to global environmental issues.

### **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<sup>+</sup> 2008", ITOCHU increases dividend amount gradually and aims to improve consolidated dividend payout ratio, while improving parent company's stockholders' equity.

## **Outlook for Fiscal 2008**

### **Forecast of annual consolidated operation for fiscal 2008**

ITOCHU has made a satisfactory performance in the first half of FY 2008, and achieved 56% of the expected net income for the full year, 210.0 billion yen which was publicly announced on April 27. Viewing the second half of the current year, it is expected that expansion of Japan economy is to be accelerated slightly, judging from the prospects of gradual increase in personal consumption and steady growth in capital investment. On the other hand, for overseas economies, though U.S. economy is anticipated to be still in a sluggish condition, China and Europe are expected to keep good economic performances, however, sufficient attention will be required for the future outcomes of the subprime housing loan issue.

Under these circumstances, and considering the consolidated results of operation for the six months ended September 2007, ITOCHU expects annual consolidated operation for the fiscal year 2008 as per the chart indicated in the next page 16.

For your attention, these forecasts are forward looking statements that are based on 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.

### **Distribution of the current fiscal year's profit**

ITOCHU paid 14 yen (interim 5 yen and year-end 9 yen) per share as a dividend for the fiscal year ended March 31, 2007.

For the interim dividend of the current fiscal year, ITOCHU has decided to pay 8.5 yen per share. And at the moment, for the dividend at the end of the current fiscal year, ITOCHU intends to pay 8.5 yen (annual total of 17 yen) per share.

**Fiscal 2008 forecasts, ending March 31, 2008**

Consolidated	Results	Revised Forecast	Previous Forecast (Announced on Apr. 27)	Results
	2008 1st half	2008 Full year	2008 Full year	2007 Full year
Total trading transactions	5.9 trillion yen	12.1 trillion yen	12.1 trillion yen	11.6 trillion yen
Gross trading profit	491.3 billion yen	1,010.0 billion yen	975.0 billion yen	908.7 billion yen
Selling, general and administrative expenses	( 358.0)	( 725.0)	( 700.0)	( 639.1)
Provision for doubtful receivables	( 0.1)	( 5.0)	( 5.0)	( 4.9)
Net interest expenses	( 15.9)	( 35.0)	( 44.0)	( 29.2)
Dividends received	13.8	20.0	17.0	21.7
Other-net	13.5	15.0	7.0	43.2
Income before income taxes, minority interests and equity in earnings (losses) of associated companies	144.7	280.0	250.0	300.2
Income taxes	( 73.0)	( 131.0)	( 140.0)	( 88.9)
Income before minority interests and equity in earnings (losses) of associated companies	71.7	149.0	110.0	211.3
Minority interests	( 5.0)	( 19.0)	( 19.0)	( 14.2)
Equity in earnings (losses) of associated companies	50.4	80.0	119.0	( 20.1)
Net income	117.0	210.0	210.0	177.1
Net income per share	74.02 yen	132.83 yen	132.81 yen	111.95 yen
Total assets	5,408.0 billion yen	5,800.0 billion yen	5,800.0 billion yen	5,271.5 billion yen
Gross interest-bearing debt	2,088.4	2,250.0	2,250.0	2,165.6
Net interest-bearing debt	1,734.0	1,850.0	1,850.0	1,630.9
Total stockholders' equity	1,030.0	1,080.0	1,080.0	896.2

(Note)

Foreign exchange rate (Yen/US\$)	119.73	115.00	110.00	117.32
Crude oil (Brent) (US\$/BBL)	63.65 (Jan-Jun result)	69.00 (Jan-Dec forecast)	55.00 (Jan-Dec forecast)	66.09 (Jan-Dec result)

**Consolidated Statements of Operations [Condensed]**

-Unaudited-

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 2007 and 2006

	Millions of Yen		Millions of U.S. dollars
	Apr.-Sep.2007	Apr.-Sep.2006	Apr.-Sep.2007
<b>Revenue:</b>			
Sales revenue.....	¥ 1,108,473	¥ 982,200	\$ 9,603
Trading margins and commissions on trading transactions.....	315,333	251,303	2,732
Total trading transactions :			
Apr.-Sep. 2007: 5,898,024 million yen ( 51,096 million U.S.dollars )			
Apr.-Sep. 2006: 5,572,402 million yen			
Total revenue.....	<b>1,423,806</b>	1,233,503	<b>12,335</b>
Cost of sales.....	<b>(932,488)</b>	(811,555)	<b>(8,078)</b>
<b>Gross trading profit .....</b>	<b>491,318</b>	421,948	<b>4,257</b>
Selling, general and administrative expenses.....	<b>(358,000)</b>	(295,351)	<b>(3,101)</b>
Provision for doubtful receivables.....	<b>(98)</b>	(3,025)	<b>(1)</b>
Interest income.....	<b>8,336</b>	7,968	<b>72</b>
Interest expense.....	<b>(24,200)</b>	(21,740)	<b>(210)</b>
Dividends received.....	<b>13,843</b>	10,005	<b>120</b>
Gain on disposal of investments and marketable securities, net of write-down.....	<b>10,489</b>	14,632	<b>91</b>
Gain (loss) on property and equipment-net.....	<b>248</b>	(788)	<b>2</b>
Other-net.....	<b>2,762</b>	4,017	<b>24</b>
	<b>(346,620)</b>	(284,282)	<b>(3,003)</b>
<b>Income before income taxes, minority interests and equity in earnings of associated companies.....</b>	<b>144,698</b>	137,666	<b>1,254</b>
Income taxes.....	<b>(73,047)</b>	(60,677)	<b>(633)</b>
<b>Income before minority interests and equity in earnings of associated companies.....</b>	<b>71,651</b>	76,989	<b>621</b>
Minority interests.....	<b>(5,007)</b>	(6,017)	<b>(43)</b>
Equity in earnings of associated companies.....	<b>50,387</b>	25,697	<b>436</b>
<b>Net income.....</b>	<b>¥ 117,031</b>	¥ 96,669	<b>\$ 1,014</b>

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)	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	Increase (Decrease)	Reasons for changes
Revenue		1,423.8	1,233.5	190.3	Increase in energy development sector (expansion of production in crude oil fields owned), increase in automobile transactions to Europe, and increase from turning NIPPON ACCESS, INC. into a consolidated subsidiary
Gross trading profit	(Unit : billion yen)	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	Increase (Decrease)	Increase due to good performance in ITOCHU Corporation and existing subsidiaries, plus increase from turning NIPPON ACCESS, INC. into a consolidated subsidiary : +63.0 Effect from joining of subsidiaries : +4.3 Effect from leaving of subsidiaries : -5.4 Effect of exchange rate fluctuations : +7.5 Refer to page 28-29 "Operating Segment Information"
Gross trading profit		491.3	421.9	69.4	
Selling, general and administrative expenses	(Unit : billion yen)	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	Increase (Decrease)	Increase accompanied by expansion of business in ITOCHU Corporation and existing subsidiaries, plus increase from turning NIPPON ACCESS, INC. into a consolidated subsidiary : -61.5 Effect from joining of subsidiaries : -2.9 Effect from leaving of subsidiaries : +5.2 Effect of exchange rate fluctuations : -3.4
Personnel expenses		(137.7)	(121.2)	(16.5)	
Service charge, distribution costs		(117.3)	(83.8)	(33.5)	
Rent, depreciation and amortization		(40.0)	(33.9)	(6.1)	
Travel expenses		(12.8)	(11.6)	(1.2)	
Others		(50.3)	(44.8)	(5.4)	
Other expenses		(220.3)	(174.1)	(46.2)	
Total		(358.0)	(295.4)	(62.6)	
Provision for doubtful receivables	(Unit : billion yen)	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	Increase (Decrease)	Increase in reversal of the provision for doubtful receivables through collection
Provision for doubtful receivables		(0.1)	(3.0)	2.9	
Net financial income (expenses)	(Unit : billion yen)	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	Increase (Decrease)	(Average) <u>Apr-Sep 2007</u> <u>Apr-Sep 2006</u> <u>Changes</u>
Net financial income (expenses)		(2.0)	(3.8)	1.7	JPY TIBOR 3M 0.735% 0.324% 0.411% USD LIBOR 3M 5.357% 4.989% 0.368%
Interest income		8.3	8.0	0.4	Mainly effect of rising interest rate Dividends received from LNG-related investments +1.8 (5.4→7.3)
Interest expense		(24.2)	(21.7)	(2.5)	
Net interest expenses		(15.9)	(13.8)	(2.1)	
Dividends received		13.8	10.0	3.8	
Gain on disposal of investments and marketable securities, net of write-down	(Unit : billion yen)	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	Increase (Decrease)	Net gains on sales of securities +8.1(13.7→21.8) Gain on exchange of securities -3.5(3.5→-) Devaluation losses on securities -5.7 (-1.2→-6.8) Losses for liquidation of businesses and others -3.0 (-1.4→-4.4)
Gain on disposal of investments and marketable securities, net of write-down		10.5	14.6	(4.1)	
Gain (loss) on property and equipment-net	(Unit : billion yen)	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	Increase (Decrease)	Net gain (loss) on sales of property and equipment +1.0 (-0.3→0.8)
Gain (loss) on property and equipment-net		0.2	(0.8)	1.0	
Other-net	(Unit : billion yen)	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	Increase (Decrease)	Decrease in miscellaneous-net
Other-net		2.8	4.0	(1.3)	
Income taxes	(Unit : billion yen)	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	Increase (Decrease)	See (Note 1)
Income taxes		(73.0)	(60.7)	(12.4)	
Minority interests	(Unit : billion yen)	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	Increase (Decrease)	
Minority interests		(5.0)	(6.0)	1.0	
Equity in earnings of associated companies	(Unit : billion yen)	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	Increase (Decrease)	Orient Corporation (Note1)/ Chemoil Energy Limited -1.3 (2.1→0.8)/ Mazda Canada Inc.(Note2) -1.0/Marubeni-Itochu Steel Inc.-1.0 (9.2→8.2)/ kabu.com Securities Co., Ltd.(Note2) -0.7/ AI Beverage Holding Co., Ltd +0.4 (0.8→1.2) Refer to page 12 "Performance of Group Companies(3)"
Equity in earnings of associated companies		50.4	25.7	24.7	
(Note 1) Please see explanation of "Equity in earnings of associated companies" in the part of "Operating Results" of "Summary of Operations" in page 4. (Note 2) ITOCHU Corporation ceased to pick-up equity profit (loss) of these companies for the six months ended September 30, 2007.					
Total trading transactions	(Unit : billion yen)	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	Increase (Decrease)	Refer to page 28-29 "Operating Segment Information"
Total trading transactions		5,898.0	5,572.4	325.6	Effect of exchange rate fluctuations: Approximately +79.0
Gross trading profit ratio		8.3%	7.6%	0.8%	
Adjusted profit	(Unit : billion yen)	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	Increase (Decrease)	The amount ( ) presents changes from the same period of the previous fiscal year Adjusted profit (33.2)= Gross trading profit(+69.4) + SG&A expenses (-62.6) + Net financial income (expenses)(+1.7) + Equity in earnings of associated companies(+24.7)
Adjusted profit		181.7	148.5	33.2	
[Average exchange rate Yen/US\$] [For March closing companies] [For December closing companies]					
		<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	<u>Changes</u>	<u>Jan-Jun 2007</u> <u>Jan-Jun 2006</u> <u>Changes</u>
		119.73	115.70	4.03	119.49 116.36 3.13
		<u>Apr-Jun 2006</u>	<u>Apr-Sep 2005</u>	<u>Changes</u>	<u>Jan-Jun 2006</u> <u>Jan-Jun 2005</u> <u>Changes</u>
		115.70	108.48	7.22	116.36 105.42 10.94

**Consolidated Balance Sheets (Assets) [Condensed]**

ITOCHU Corporation and Subsidiaries

As of September 30, 2007 and March 31, 2007

-Unaudited-

Assets	Millions of Yen		Millions of U.S. dollars
	Sep. 2007	Mar. 2007	Sep. 2007
<b>Current assets:</b>			
Cash and cash equivalents.....	¥ 352,421	¥ 532,856	\$ 3,053
Time deposits.....	1,918	1,845	17
Marketable securities.....	35,810	31,161	310
Trade receivables:			
Notes.....	199,273	163,449	1,726
Accounts.....	1,347,836	1,273,464	11,677
Allowance for doubtful receivables.....	(15,741)	(15,358)	(136)
Net trade receivables.....	1,531,368	1,421,555	13,267
Due from associated companies.....	120,917	105,884	1,048
Inventories.....	544,686	530,335	4,719
Advances to suppliers.....	124,899	98,604	1,082
Prepaid expenses.....	38,039	32,103	329
Deferred tax assets.....	36,498	37,898	316
Other current assets.....	281,105	274,664	2,435
Total current assets.....	3,067,661	3,066,905	26,576
<b>Investments and non-current receivables:</b>			
Investments in and advances to associated companies.....	676,559	608,121	5,861
Other investments.....	634,665	632,527	5,498
Other non-current receivables.....	146,210	143,628	1,267
Allowance for doubtful receivables.....	(56,150)	(66,450)	(486)
Total investments and net non-current receivables.....	1,401,284	1,317,826	12,140
<b>Property and equipment, at cost:</b>			
Land.....	163,380	160,620	1,416
Buildings.....	337,966	328,397	2,928
Machinery and equipment.....	287,807	276,368	2,493
Furniture and fixtures.....	57,714	57,594	500
Mineral rights.....	65,226	45,905	565
Construction in progress.....	17,210	16,090	149
Total property and equipment, at cost.....	929,303	884,974	8,051
Less accumulated depreciation.....	367,633	354,929	3,185
Net property and equipment.....	561,670	530,045	4,866
<b>Prepaid pension cost.....</b>	<b>86,835</b>	<b>86,180</b>	<b>752</b>
<b>Deferred tax assets, non-current.....</b>	<b>14,573</b>	<b>31,612</b>	<b>126</b>
<b>Other assets.....</b>	<b>276,011</b>	<b>238,944</b>	<b>2,391</b>
<b>Total.....</b>	<b>¥ 5,408,034</b>	<b>¥ 5,271,512</b>	<b>\$ 46,851</b>

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 fiscal year 2007.

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

-Unaudited-

ITOCHU Corporation and Subsidiaries

As of September 30, 2007 and March 31, 2007

Liabilities and Stockholders' Equity	Millions of Yen		Millions of U.S. dollars
	Sep. 2007	Mar.2007	Sep. 2007
<b>Current liabilities:</b>			
Short-term debt .....	¥ 332,285	¥ 373,723	\$ 2,879
Current maturities of long-term debt.....	116,055	144,317	1,005
Trade payables:			
Notes and acceptances.....	173,013	181,197	1,499
Accounts.....	1,213,248	1,143,422	10,511
Total trade payables.....	1,386,261	1,324,619	12,010
Due to associated companies.....	20,242	46,083	175
Accrued expenses.....	144,041	135,335	1,248
Income taxes payable.....	50,961	51,059	441
Advances from customers.....	102,346	107,308	887
Deferred tax liabilities.....	2,246	1,812	19
Other current liabilities.....	191,026	205,040	1,655
Total current liabilities .....	2,345,463	2,389,296	20,319
<b>Long-term debt, excluding current maturities.....</b>	<b>1,846,268</b>	<b>1,795,333</b>	<b>15,995</b>
<b>Accrued retirement and severance benefits.....</b>	<b>21,205</b>	<b>21,748</b>	<b>184</b>
<b>Deferred tax liabilities, non-current.....</b>	<b>19,556</b>	<b>25,885</b>	<b>169</b>
<b>Commitments and contingent liabilities</b>			
<b>Minority interests.....</b>	<b>145,503</b>	<b>143,055</b>	<b>1,261</b>
<b>Stockholders' equity:</b>			
Common stock:			
Authorized: 3,000,000,000 shares; issued:			
1,584,889,504 shares.....	202,241	202,241	1,752
Capital surplus.....	137,203	136,842	1,188
Retained earnings:			
Legal reserve.....	9,025	7,423	78
Other retained earnings .....	570,924	469,736	4,946
Total retained earnings.....	579,949	477,159	5,024
Accumulated other comprehensive income (loss) :			
Foreign currency translation adjustments.....	25,571	903	222
Pension liability adjustments.....	(40,142)	(41,335)	(348)
Unrealized holding gains on securities.....	125,497	122,736	1,087
Unrealized holding gains (losses) on derivative instruments.....	2,154	(441)	19
Total accumulated other comprehensive income.....	113,080	81,863	980
Treasury stock, at cost.....	(2,434)	(1,910)	(21)
Total stockholders' equity.....	1,030,039	896,195	8,923
<b>Total.....</b>	<b>¥ 5,408,034</b>	<b>¥ 5,271,512</b>	<b>\$ 46,851</b>

## [Explanation for Consolidated Balance Sheets]

Total assets as of September 30, 2007 increased by 136.5 billion yen compared with March 31, 2007, to 5,408.0 billion yen. Though total of Cash and cash equivalents and Time deposits decreased, Trade receivables increased in Energy, Metals & Minerals, Chemicals, Forest Products & General Merchandise, and Food. Net property and equipment increased in energy development sector, and Investments in and advance to associated companies increased due to additional investment in Orient Corporation and increase of equity in earnings of associated companies.

### Assets

	(Unit: billion yen)			Reasons for changes:
	Sep 2007	Mar 2007	Increase (Decrease)	
Cash and cash equivalents	352.4	532.9	(180.4)	
Net trade receivables	1,531.4	1,421.6	109.8	Increase in Energy, Forest Products & General Merchandise, Chemicals and Food
Due from associated companies	120.9	105.9	15.0	Increase in Food
Inventories	544.7	530.3	14.4	Increase in Aerospace, Electronics & Multimedia, Energy, Forest Products & General Merchandise
Advances to suppliers	124.9	98.6	26.3	Increase in Machinery
Investments in and advances to associated companies	676.6	608.1	68.4	Increase in additional investment in Orient Corporation and increase of equity in earnings of associated companies
Net property and equipment	561.7	530.0	31.6	Increase in Energy
Other assets	276.0	238.9	37.1	Increase in Machinery, Aerospace, Electronics & Multimedia

### Liabilities

	(Unit: billion yen)			
	Sep 2007	Mar 2007	Increase (Decrease)	
Total trade payables	1,386.3	1,324.6	61.6	Increase in Food
Due to associated companies	20.2	46.1	(25.8)	Decrease in deposit received
Other current liabilities	191.0	205.0	(14.0)	Decrease in Energy
[Interest-bearing debt]				
Short-term debt	332.3	373.7	(41.4)	
Current maturities of long-term debt	110.2	138.5	(28.3)	
Current maturities of debentures	5.9	5.8	0.1	
Short-term total	448.3	518.0	(69.7)	
Long-term debt	1,448.9	1,456.3	(7.4)	
Debentures	191.1	191.2	(0.1)	
Long-term total	1,640.0	1,647.6	(7.6)	
Total interest-bearing debt	2,088.4	2,165.6	(77.3)	
Cash, cash equivalents and time deposits	354.3	534.7	(180.4)	
Net interest-bearing debt	1,734.0	1,630.9	103.1	
Net debt-to-equity ratio [times]	1.7	1.8	0.1 improved	

### Stockholders' equity

	(Unit: billion yen)			
	Sep 2007	Mar 2007	Increase (Decrease)	
Common stock	202.2	202.2	-	
Capital surplus	137.2	136.8	0.4	
Retained earnings:	579.9	477.2	102.8	
Legal reserve	9.0	7.4	1.6	
Other retained earnings	570.9	469.7	101.2	Net income +117.0, Distribution of dividends -14.2, Transfer to legal reserve -1.6
Accumulated other comprehensive income (loss):	113.1	81.9	31.2	
Foreign currency translation adjustments	25.6	0.9	24.7	Effect of yen's depreciation compared with March 31, 2007
Pension liability adjustments	(40.1)	(41.3)	1.2	
Unrealized holding gains on securities	125.5	122.7	2.8	
Unrealized holding gains (losses) on derivative instruments	2.2	(0.4)	2.6	
Treasury stock, at cost	(2.4)	(1.9)	(0.5)	
Total stockholders' equity	1,030.0	896.2	133.8	
Ratio of stockholders' equity to total assets	19.0%	17.0%	2.0%	

[Current exchange rate Yen/US\$]

[For March closing companies]

[For December closing companies]

Sep 2007	Mar 2007	Changes	Jun 2007	Dec 2006	Changes
115.43	118.05	(2.62)	123.26	119.11	4.15
Sep 2006	Mar 2006	Changes	Jun 2006	Dec 2005	Changes
117.90	117.47	0.43	115.24	118.07	(2.83)

**Consolidated Statements of Stockholders' Equity [Condensed]**

-Unaudited-

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 2007 and the year ended March 31,2007

	Millions of Yen		Millions of U.S. dollars
	Apr.-Sep.2007	Apr.2006- Mar.2007	Apr.-Sep.2007
<b>Common stock:</b>			
Balance at beginning of period.....	¥ 202,241	¥ 202,241	\$ 1,752
Balance at end of period.....	¥ 202,241	¥ 202,241	\$ 1,752
<b>Capital surplus:</b>			
Balance at beginning of period.....	¥ 136,842	¥ 137,035	\$ 1,185
Excess arising from retirement of treasury stock .....	8	8	0
Increase (Decrease) arising from group realignment between subsidiaries.....	353	(201)	3
Balance at end of period.....	¥ 137,203	¥ 136,842	\$ 1,188
<b>Retained earnings:</b>			
Legal reserve:			
Balance at beginning of period.....	¥ 7,423	¥ 5,667	\$ 64
Transfer from other retained earnings.....	1,669	1,822	15
Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies....	(67)	(66)	(1)
Balance at end of period.....	¥ 9,025	¥ 7,423	\$ 78
Other retained earnings:			
Balance at beginning of period.....	¥ 469,736	¥ 310,261	\$ 4,069
Net income.....	117,031	177,059	1,014
Cash dividends.....	(14,241)	(15,828)	(123)
Transfer to legal reserve.....	(1,669)	(1,822)	(15)
Redistribution arising from sale by parent company of common stock of subsidiaries and associated companies....	67	66	1
Balance at end of period.....	¥ 570,924	¥ 469,736	\$ 4,946
<b>Accumulated other comprehensive income (loss):</b>			
Balance at beginning of period.....	¥ 81,863	¥ 72,889	\$ 709
Other comprehensive income.....	31,217	47,451	271
Adjustment to initially apply SFAS No.158	-	(38,477)	-
Balance at end of period.....	¥ 113,080	¥ 81,863	\$ 980
<b>Treasury stock:</b>			
Balance at beginning of period.....	¥ (1,910)	¥ (1,277)	\$ (17)
Net changes in treasury stock.....	(524)	(633)	(4)
Balance at end of period.....	¥ (2,434)	¥ (1,910)	\$ (21)
<b>Total.....</b>	<b>¥ 1,030,039</b>	<b>¥ 896,195</b>	<b>\$ 8,923</b>
<b>Comprehensive income:</b>			
Net income.....	¥ 117,031	¥ 177,059	\$ 1,014
Other comprehensive income (net of tax):			
Net change in foreign currency translation adjustments during the period.....	24,668	26,704	214
Minimum pension liability adjustments.....	1,193	(772)	10
Net change in unrealized holding gains on securities during the period.....	2,761	25,047	24
Net change in unrealized holding gains (losses) on derivative instruments during the period.....	2,595	(3,528)	22
Total other comprehensive income (net of tax).....	31,217	47,451	270
<b>Total.....</b>	<b>¥ 148,248</b>	<b>¥ 224,510</b>	<b>\$ 1,284</b>

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 fiscal year 2007.

[Explanation for Consolidated Statements of Stockholders' Equity ]

**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" instead of gains or losses for the period on the statements of operations.

(Unit: billion yen)	as of:	<u>Sep 2007</u>	<u>Mar 2007</u>	Increase (Decrease)
Balance		25.6	0.9	24.7
Exchange rate	as of:	<u>Jun 2007</u>	<u>Dec 2006</u>	<u>Changes</u>
	(Yen/US\$)	123.26	119.11	+4.15
	as of:	<u>Sep 2007</u>	<u>Mar 2007</u>	<u>Changes</u>
	(Yen/US\$)	115.43	118.05	(2.62)
	as of:	<u>Sep 2007</u>	<u>Mar 2007</u>	<u>Changes</u>
	(Yen/A\$)	101.65	95.36	+6.29

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>Sep 2007</u>	<u>Mar 2007</u>	Increase (Decrease)
Balance		(40.1)	(41.3) <sup>*Note</sup>	1.2

*\*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>Sep 2007</u>	<u>Mar 2007</u>	Increase (Decrease)
Balance		125.5	122.7	2.8

4. Unrealized holding gains (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>Sep 2007</u>	<u>Mar 2007</u>	Increase (Decrease)
Balance		2.2	(0.4)	2.6

**Consolidated Statements of Cash Flows [Condensed]**

ITOCHU Corporation and Subsidiaries

For the six months ended September 30, 2007 and 2006

-Unaudited-

	Millions of Yen		Millions of U.S. dollars
	<u>Apr.-Sep. 2007</u>	Apr.-Sep. 2006	<u>Apr.-Sep. 2007</u>
<b>Cash flows from operating activities :</b>			
Net income .....	¥ 117,031	¥ 96,669	\$ 1,014
Adjustments to reconcile net income to net cash provided by operating activities :			
Depreciation and amortization .....	34,025	24,253	295
Provision for doubtful receivables .....	98	3,025	1
Gain on disposal of investments and marketable securities, net of write-down.....	(10,489)	(14,632)	(91)
(Gain) loss on property and equipment-net.....	(248)	788	(2)
Equity in earnings of associated companies, less dividends received ...	(39,766)	(14,140)	(345)
Deferred income taxes .....	11,954	13,247	104
Minority interests .....	5,007	6,017	43
Changes in assets and liabilities, other-net .....	(101,025)	(45,599)	(875)
Net cash provided by operating activities .....	<u>16,587</u>	<u>69,628</u>	<u>144</u>
<b>Cash flows from investing activities :</b>			
Net purchases of property, equipment and other assets .....	(26,116)	(21,770)	(226)
Net increase in investments in and advances to associated companies .....	(26,316)	(17,934)	(228)
Net purchases of other investments .....	(41,217)	(48,950)	(357)
Net collections of other non-current loan receivables .....	3,152	2,633	27
Net (increase) decrease in time deposits.....	(156)	11,735	(1)
Net (increase) decrease in marketable securities.....	(1,485)	16,808	(13)
Net cash used in investing activities .....	<u>(92,138)</u>	<u>(57,478)</u>	<u>(798)</u>
<b>Cash flows from financing activities :</b>			
Net repayments of long-term debt .....	(37,409)	(73,468)	(324)
Net increase (decrease) in short-term debt .....	(51,469)	20,117	(446)
Other .....	(18,988)	(7,642)	(164)
Net cash used in financing activities .....	<u>(107,866)</u>	<u>(60,993)</u>	<u>(934)</u>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>2,982</b>	<b>120</b>	<b>26</b>
<b>Net decrease in cash and cash equivalents .....</b>	<b>(180,435)</b>	<b>(48,723)</b>	<b>(1,563)</b>
<b>Cash and cash equivalents at beginning of period .....</b>	<b>532,856</b>	<b>477,707</b>	<b>4,616</b>
<b>Cash and cash equivalents at end of period .....</b>	<b>¥ 352,421</b>	<b>¥ 428,984</b>	<b>\$ 3,053</b>

[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>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	<u>Increase (Decrease)</u>	<u>Reasons for increase/decrease</u>
Net income	117.0	96.7	20.4	Changes in net income +20.4
*Non-cash charges of P/L	0.6	18.6	(18.0)	Equity in earnings of associated companies, less dividends received (25.6), Depreciation and amortization +9.8 etc.
Changes in assets and liabilities, other-net	(101.0)	(45.6)	(55.4)	Net changes in trade receivables / payables (75.4) etc.
Net cash provided by operating activities	16.6	69.6	(53.0)	

\* 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)

	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	<u>Increase (Decrease)</u>	
Net purchases of property, equipment and other assets	(26.1) a	(21.8) b	(4.3)	a : Net purchases by natural resources development related subsidiaries (9.5) etc. b : Net purchases by natural resources development related subsidiaries (11.1) etc.
Net increase in investments in and advances to associated companies	(26.3) a	(17.9)	(8.4)	a : Additional investment in Orient Corporation (30.0) etc.
Net purchases of other investments	(41.2) a	(49.0) b	7.7	a : Investment in energy development sector (54.6) etc. b : Investment in ISUZU MOTORS LIMITED (15.9), acquisition of NIPPON ACCESS, INC.(11.4) etc.
Net collections of other non-current loan receivables	3.2	2.6	0.5	
Net (increase) decrease in time deposits	(0.2)	11.7 b	(11.9)	b : Decrease in time deposit of parent +11.2 etc.
Net (increase) decrease in marketable securities	(1.5)	16.8 b	(18.3)	b : Decrease in marketable securities of domestic subsidiaries etc.
Net cash used in investing activities	(92.1)	(57.5)	(34.7)	

**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 repayments of long-term debt	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	<u>Increase (Decrease)</u>	
	(37.4) a	(73.5) b	36.1	a : Net repayment by construction related subsidiaries (13.5), financing subsidiaries (7.3) etc. b : Net repayment by parent (54.1) etc.
Net increase (decrease) in short-term debt	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	<u>Increase (Decrease)</u>	
	(51.5) a	20.1	(71.6)	a : Net repayment by food subsidiaries (25.7), financing subsidiaries (20.6) etc.
Other	<u>Apr-Sep 2007</u>	<u>Apr-Sep 2006</u>	<u>Increase (Decrease)</u>	
	(19.0) a	(7.6) b	(11.3)	a : Dividends paid (14.2), dividend paid to minority shareholders (4.3) etc. b : Dividends paid (7.9) etc.
Net cash used in financing activities	(107.9)	(61.0)	(46.9)	

## Basis of the Consolidated Financial Statements

### 1. Consolidated Subsidiaries and Associated Companies

Consolidated Subsidiaries	[Major Group Companies]
(Domestic: 197 entities)	JOI'X CORPORATION, Tommy Hilfiger Japan, 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: 222 entities)	Prominent Apparel Ltd. [Hong Kong], 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.
<b>Associated Companies</b>	
(Domestic: 99 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., Japan Foods Co., Ltd., Fuji Oil Co., Ltd., FamilyMart Co., Ltd., Prima Meat Packers, Ltd., Orient Corporation, i-LOGISTICS CORP., eGuarantee, Inc.
(Overseas: 114 entities)	Chemoil Energy Limited [Hong Kong], CGB ENTERPRISES, INC. [U.S.A.]

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

TSE 1st Section :	ITOCHU Techno-Solutions Corporation, ITOCHU SHOKUHIN Co., Ltd.
TSE 2nd Section:	ITC NETWORKS CORPORATION
JASDAQ :	SPACE SHOWER NETWORKS INC., Excite Japan Co., Ltd., CENTURY 21 REAL ESTATE OF JAPAN LTD.
Mothers:	magaseek corporation, NANO Media Inc.

\* Investment entities which are to be considered as part of parent company substantially (179 entities as of the end of September, 2007) 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 the actuarial gain/loss (net of tax) and the prior service cost (net of tax) which have not been recognized as gain/loss yet 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 no longer amortized, but are instead tested for impairment 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 change of fair value from the end of the previous period is recognized as gain/loss 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

For the six months ended September 30, 2007 and 2006

ITOCHU Corporation and its subsidiaries are 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 six months ended September 30, 2007 and 2006 is as follows:

For the six months ended September 30, 2007 (April 1, 2007 -September 30, 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 .....	¥ 344,335	¥ 684,624	¥ 316,080	¥ 1,696,100	¥ 1,134,371	¥ 1,531,083	¥ 76,025	¥ 115,406	¥ 5,898,024
Transfers between operating segments ..	292	342	1,996	191	9,699	157	71	(12,748)	-
Total trading transactions .....	<u>344,627</u>	<u>684,966</u>	<u>318,076</u>	<u>1,696,291</u>	<u>1,144,070</u>	<u>1,531,240</u>	<u>76,096</u>	<u>102,658</u>	<u>5,898,024</u>
Gross trading profit .....	<u>55,753</u>	<u>51,413</u>	<u>63,381</u>	<u>63,995</u>	<u>61,631</u>	<u>163,015</u>	<u>18,419</u>	<u>13,711</u>	<u>491,318</u>
Net income .....	<u>7,192</u>	<u>16,492</u>	<u>4,559</u>	<u>49,827</u>	<u>10,453</u>	<u>11,146</u>	<u>14,463</u>	<u>2,899</u>	<u>117,031</u>
[Equity in earnings of associated companies].....	<u>[708]</u>	<u>[2,370]</u>	<u>[(1,111)]</u>	<u>[12,342]</u>	<u>[1,587]</u>	<u>[6,221]</u>	<u>[28,555]</u>	<u>[(285)]</u>	<u>[50,387]</u>
Identifiable assets at September 30, 2007.	<u>385,702</u>	<u>679,784</u>	<u>540,796</u>	<u>882,112</u>	<u>784,884</u>	<u>1,151,090</u>	<u>526,913</u>	<u>456,753</u>	<u>5,408,034</u>
For the six months ended September 30, 2006 (April 1, 2006 -September 30, 2006)									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 .....	¥ 385,457	¥ 781,860	¥ 326,299	¥ 1,513,328	¥ 1,034,090	¥ 1,314,135	¥ 92,048	¥ 125,185	¥ 5,572,402
Transfers between operating segments ..	319	349	1,864	241	8,749	206	950	(12,678)	-
Total trading transactions .....	<u>385,776</u>	<u>782,209</u>	<u>328,163</u>	<u>1,513,569</u>	<u>1,042,839</u>	<u>1,314,341</u>	<u>92,998</u>	<u>112,507</u>	<u>5,572,402</u>
Gross trading profit .....	<u>58,701</u>	<u>42,806</u>	<u>61,078</u>	<u>48,587</u>	<u>62,688</u>	<u>115,785</u>	<u>19,909</u>	<u>12,394</u>	<u>421,948</u>
Net income .....	<u>6,355</u>	<u>11,494</u>	<u>6,283</u>	<u>35,701</u>	<u>13,430</u>	<u>10,613</u>	<u>3,065</u>	<u>9,728</u>	<u>96,669</u>
[Equity in earnings of associated companies].....	<u>[183]</u>	<u>[2,727]</u>	<u>[(1,056)]</u>	<u>[14,168]</u>	<u>[1,341]</u>	<u>[5,691]</u>	<u>[2,648]</u>	<u>[(5)]</u>	<u>[25,697]</u>
Identifiable assets at September 30, 2006.	<u>408,865</u>	<u>561,230</u>	<u>522,237</u>	<u>714,698</u>	<u>705,673</u>	<u>1,093,480</u>	<u>583,811</u>	<u>616,365</u>	<u>5,206,359</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>
For the six months ended September 30, 2007 (April 1, 2007 -September 30, 2007)									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 .....	\$ 2,983	\$ 5,931	\$ 2,738	\$ 14,694	\$ 9,827	\$ 13,264	\$ 659	\$ 1,000	\$ 51,096
Transfers between operating segments ..	3	3	17	1	84	2	0	(110)	-
Total trading transactions .....	<u>2,986</u>	<u>5,934</u>	<u>2,755</u>	<u>14,695</u>	<u>9,911</u>	<u>13,266</u>	<u>659</u>	<u>890</u>	<u>51,096</u>
Gross trading profit .....	<u>483</u>	<u>446</u>	<u>549</u>	<u>554</u>	<u>534</u>	<u>1,412</u>	<u>160</u>	<u>119</u>	<u>4,257</u>
Net income .....	<u>62</u>	<u>143</u>	<u>39</u>	<u>432</u>	<u>91</u>	<u>97</u>	<u>125</u>	<u>25</u>	<u>1,014</u>
[Equity in earnings of associated companies].....	<u>[6]</u>	<u>[20]</u>	<u>[(10)]</u>	<u>[107]</u>	<u>[14]</u>	<u>[54]</u>	<u>[247]</u>	<u>[(2)]</u>	<u>[436]</u>
Identifiable assets at September 30, 2007.	<u>3,341</u>	<u>5,889</u>	<u>4,685</u>	<u>7,642</u>	<u>6,800</u>	<u>9,972</u>	<u>4,565</u>	<u>3,957</u>	<u>46,851</u>

Note :

1. "Equity in earnings of associated companies" is included in Net income.

2. "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]

**Total trading transactions**

	(Unit : billion yen)		Increase		Reasons for changes
	Apr-Sep 2007	Apr-Sep 2006	(Decrease)		
Textile	...	344.3	385.5	(41.1)	Decrease due to withdrawal from unprofitable business
Machinery	...	684.6	781.9	(97.2)	Decrease due to automobile transaction decrease in North America
Aerospace, Electronics & Multimedia	...	316.1	326.3	(10.2)	Decrease due to aviation related transaction decrease
Energy, Metals & Minerals	...	1,696.1	1,513.3	182.8	Increase due to oil production volume expansion in crude oil fields owned
Chemicals, Forest Products & General Merchandise	...	1,134.4	1,034.1	100.3	Increase due to continuous high market prices of chemicals despite demands slowdown for house building materials in North America
Food	...	1,531.1	1,314.1	216.9	Increase mainly due to turning NIPPON ACCESS, INC. into a consolidated subsidiary
Finance, Realty, Insurance & Logistics Services	...	76.0	92.0	(16.0)	Decrease mainly due to absence of spot transactions in the same period of the previous fiscal year
Other, Adjustments & Eliminations	...	115.4	125.2	(9.8)	
<b>Total</b>		<b>5,898.0</b>	<b>5,572.4</b>	<b>325.6</b>	

**Gross trading profit**

	(Unit : billion yen)		Increase		Reasons for changes
	Apr-Sep 2007	Apr-Sep 2006	(Decrease)		
Textile	...	55.8	58.7	(2.9)	Decrease due to leaving of some consolidated subsidiaries from group
Machinery	...	51.4	42.8	8.6	Increase in automobile transactions to Europe and profit from a U.S. construction machinery distribution subsidiary acquired at the end of the first quarter of the previous year
Aerospace, Electronics & Multimedia	...	63.4	61.1	2.3	Increase due to steady trend in domestic mobile phone sales
Energy, Metals & Minerals	...	64.0	48.6	15.4	Increase due to sales volume increase accompanied by oil production volume increase in crude oil fields owned
Chemicals, Forest Products & General Merchandise	...	61.6	62.7	(1.1)	Decrease due to demand slowdown for house building materials in North America and less-active domestic plywood market
Food	...	163.0	115.8	47.2	Increase mainly due to turning NIPPON ACCESS, INC. into a consolidated subsidiary
Finance, Realty, Insurance & Logistics Services	...	18.4	19.9	(1.5)	Decrease due to devaluation of developed real estate by policy change into collective sales for long-term development projects despite increased profit from real estate fund transaction
Other, Adjustments & Eliminations	...	13.7	12.4	1.3	
<b>Total</b>		<b>491.3</b>	<b>421.9</b>	<b>69.4</b>	

**Net income**

	(Unit : billion yen)		Increase		Reasons for changes
	Apr-Sep 2007	Apr-Sep 2006	(Decrease)		
Textile	...	7.2	6.4	0.8	Increase due to increase of equity in earnings of associated companies in brand marketing investment and gain on sales of investment securities despite decrease in gross trading profit
Machinery	...	16.5	11.5	5.0	Increase in gross trading profit and dividends received
Aerospace, Electronics & Multimedia	...	4.6	6.3	(1.7)	Decrease due to SG&A increase in domestic IT-related business despite increase in gain on disposal of investments and marketable securities
Energy, Metals & Minerals	...	49.8	35.7	14.1	Increase in gross trading profit and dividends received from LNG related investments despite decrease in equity in earnings of associated companies
Chemicals, Forest Products & General Merchandise	...	10.5	13.4	(3.0)	Decrease due to decreased gross trading profit, increased SG&A and impairment of goodwill and trademark rights in tire business in North America
Food	...	11.1	10.6	0.5	Slightly increase due to increase of equity in earnings of associated companies with increased gross trading profit offset by increased SG&A
Finance, Realty, Insurance & Logistics Services	...	14.5	3.1	11.4	Increase of equity in earnings of associated companies from finance related companies despite gross trading profit decrease and SG&A increase
Other, Adjustments & Eliminations	...	2.9	9.7	(6.8)	Decrease due to worsened net interest expenses as well as absence of the gain from exchange of investment securities recognized in the same period of the previous fiscal year
<b>Total</b>		<b>117.0</b>	<b>96.7</b>	<b>20.4</b>	

**Identifiable assets**

	(Unit : billion yen)		Increase		Reasons for changes
	Sep 2007	Mar 2007	(Decrease)		
Textile	...	385.7	401.8	(16.1)	Decrease in trade receivables due to decrease in trading transactions and leaving of consolidated subsidiaries from group
Machinery	...	679.8	635.8	44.0	Increase in advances to suppliers in ship business and in trade receivables in automobile transaction
Aerospace, Electronics & Multimedia	...	540.8	551.2	(10.4)	Decrease in trade receivables in domestic IT-related business
Energy, Metals & Minerals	...	882.1	781.4	100.7	Increase in trade receivables and tangible assets in energy development sector
Chemicals, Forest Products & General Merchandise	...	784.9	716.8	68.1	Increase in trade receivables in chemicals
Food	...	1,151.1	1,070.7	80.3	Increase mainly in trade receivables in food distribution business
Finance, Realty, Insurance & Logistics Services	...	526.9	524.9	2.1	Increase due to additional investment to a finance related company and increase of equity in earnings of associated companies from finance related companies despite decrease in real estate assets
Other, Adjustments & Eliminations	...	456.8	588.9	(132.2)	Decrease mainly due to decrease in cash and cash equivalents
<b>Total</b>		<b>5,408.0</b>	<b>5,271.5</b>	<b>136.5</b>	

[Total trading transactions by products]

(Unit:billion yen)

	<u>Apr-Sep 2007</u> Amounts	<u>Apr-Sep 2006</u> Amounts	<u>Increase/Decrease</u> Amounts (Changes ratio)
Energy, Metals & Minerals	1,696.1	1,513.3	+ 182.8 ( + 12.1 %)
Metals and Minerals	237.0	271.6	- 34.5 ( - 12.7 %)
Energy	1,459.1	1,241.8	+ 217.3 ( + 17.5 %)
Chemicals, Forest Products & General Merchandise	1,134.4	1,034.1	+ 100.3 ( + 9.7 %)
Forest Products & General Merchandise	511.5	501.3	+ 10.1 ( + 2.0 %)
Chemicals	622.9	532.8	+ 90.1 ( + 16.9 %)
Finance, Realty, Insurance & Logistics Services	76.0	92.0	- 16.0 ( - 17.4 %)
Construction & Realty	48.1	64.3	- 16.2 ( - 25.2 %)
Finance, Insurance & Logistics Services	28.0	27.8	+ 0.2 ( + 0.7 %)

(Note)

Yen/US\$ average rate

[For March closing companies]

Apr-Sep 2007	119.73 Yen/US\$
Apr-Sep 2006	115.70 Yen/US\$
	4.03 yen's depreciation (3.48%)

[For December closing companies]

Jan-Jun 2007	119.49 Yen/US\$
Jan-Jun 2006	116.36 Yen/US\$
	3.13 yen's depreciation (2.69%)

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

Import	+17.0
Export	+10.0
Offshore	+52.0
Total	+79.0 billion yen (approximately)

Increase in total trading transactions effected by 1 yen depreciation against U.S.dollars

: Approximately 22.0 billion yen per half-year

[Gross trading profit by products]

(Unit:billion yen)

	<u>Apr-Sep 2007</u> Amounts	<u>Apr-Sep 2006</u> Amounts	<u>Increase/Decrease</u> Amounts (Changes ratio)
Energy, Metals & Minerals	64.0	48.6	+ 15.4 ( + 31.7 %)
Metals and Minerals	22.2	22.1	+ 0.1 ( + 0.7 %)
Energy	41.8	26.5	+ 15.3 ( + 57.5 %)
Chemicals, Forest Products & General Merchandise	61.6	62.7	- 1.1 ( - 1.7 %)
Forest Products & General Merchandise	35.7	39.8	- 4.1 ( - 10.2 %)
Chemicals	25.9	22.9	+ 3.0 ( + 13.2 %)
Finance, Realty, Insurance & Logistics Services	18.4	19.9	- 1.5 ( - 7.5 %)
Construction & Realty	7.8	9.7	- 1.8 ( - 19.1 %)
Finance, Insurance & Logistics Services	10.6	10.2	+ 0.4 ( + 3.5 %)

## Per share Information

The following is the information on the stockholders' equity per share and net income per share for the six months ended September 30, 2007 and 2006.

(Unit : Yen)

	Apr.-Sep.2007	Apr.-Sep.2006
Stockholders' equity per share	651.58	500.23
Basic net income per share	74.02	61.12
Diluted net income per share	65.98	-

The base data to compute the basic and diluted net income per share computations for the six months ended September 30, 2007 and 2006 are as follows:

(Numerator)

(Unit : Millions of yen)

	Apr.-Sep.2007	Apr.-Sep.2006
Net income	117,031	96,669
Effect of dilutive securities: Convertible preferred stock	(12,714)	-
Diluted net income	104,317	96,669

(Denominator)

	Apr.-Sep.2007	Apr.-Sep.2006
Average number of common shares outstanding	1,581,005,965	1,581,693,385

## Material subsequent events

No material subsequent events have occurred.