

**Highlights of Consolidated Financial Results for the First Half of FY 2008 (U.S. GAAP)**

**Financial topics for the First Half (1H) of FY 2008**

(Unit: billion yen ,(losses))

- 1H Net income increased by ¥20.4 bil or 21% compared with the previous 1H to ¥117.0 bil, surpassed ¥100 bil for the first time, achieving highest ever for the 3 consecutive years.
- In addition, 1H Gross trading profit marked the highest for the 3 consecutive years, making new record for 1H Adjusted profit 4 years, and 1H Income before income taxes in a row, showing a steady progress (56%) with the outlook for FY 2008.
- 1H Net income in "Energy, Metals & Minerals" recorded almost ¥50 bil. All of the four segments; "Machinery", "Food", "Chemicals, Forest Products & General Merchandise", and "Finance, Realty, Insurance & Logistics Services" achieved more than ¥10 bil, followed by "Textile", and "Aerospace, Electronics & Multimedia".
- Stockholders' equity increased by ¥133.8 bil or 15% from prev. FY achieved over ¥1 tril. NET DER improved by 0.1pts to 1.7 times. Financial structure being strengthened.

(Note 1) For this 1H, profit of ¥52.2 bil was recorded at equity in earnings of Orient Corporation (hereinafter "Orico") accompanied by a gain recognition regarding exemption from obligation to redeem preferred stocks, brought by the reverse split of the preferred stocks in Orico. On the other hand, a devaluation loss of ¥26.2 bil 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. [¥10.7 bil of reversal of deferred tax asset for equity in investment in Orico is recognized and is displayed in Income taxes.]

Consolidated Financial Results of Operations	1st Half FY 2008	1st Half FY 2007	Increase (Decrease)	
				%
Revenue	1,423.8	1,233.5	190.3	15%
Gross trading profit	491.3	421.9	69.4	16%
Selling, general and administrative expenses	(358.0)	(295.4)	(62.6)	21%
Provision for doubtful receivables	(0.1)	(3.0)	2.9	-
Interest income	8.3	8.0	0.4	5%
Interest expense (i)	(24.2)	(21.7)	(2.5)	11%
Dividends received (ii)	13.8	10.0	3.8	38%
Gain on disposal of investments and marketable securities, net of write-down (iii)	10.5	14.6	(4.1)	-
Gain (loss) on property and equipment-net	0.2	(0.8)	1.0	-
Other-net	2.8	4.0	(1.3)	-
Total other expenses	(346.6)	(284.3)	(62.3)	22%
Income before income taxes	144.7	137.7	7.0	5%
Income taxes	(73.0)	(60.7)	(12.4)	20%
Income after income taxes	71.7	77.0	(5.3)	(7%)
Minority interests	(5.0)	(6.0)	1.0	(17%)
Equity in earnings of associated companies	50.4	25.7	24.7	96%
Net income	117.0	96.7	20.4	21%

**Summary of changes from the same period of the previous fiscal year**

- **Revenue:** Increase due to expansion of production in crude oil fields owned, Automobile transactions to Europe, and turning NIPPON ACCESS, INC. into a consolid. subs. (Note 2)
- **Gross trading profit: (Increase fields/bus.)** Textile /Decr: Leaving of some consolid. subs. Mach. /Incr: Automobile trans. to EUR, profit from a US const. mach. distribution subsidiary acquired at the end of the prev. 1Q Aero. Elec. & MltiMd /Incr: Domestic mobile phone sales Ener.Met. /Incr: Oil production volume increase (sales volume increase) Chem., FP & GM /Decr: Demands slowdown for house building materials in U.S. and less-active domestic plywood market Food /Incr: Turning NIPPON ACCESS, INC. into a consolid. subs. (Note 2) Fin. Rlty. Insur. & LS /Decr: Devaluation of real estate for sale
- **SG&A:** Turning NIPPON ACCESS, INC. into a consolid. subs. (Note 2) and expansion of business
- **Provision for doubtful receivables:** Improve through collection of receivables
- **Net financial income (expenses): (i+ii)** [+1.7] (i) Net interest exp. -2.1 (Interest rates rise) (ii) LNG-related +1.8
- **Gain on disposal inv.& sec.:** [Incr/Decr] Sales +8.1, Gain on exchange -3.5, Devaluation losses -5.7, Losses for liquidation of businesses and others -3.0
- **Gain (loss) on property and equip.:** [Incr/Decr] Sales +1.0
- **Equity in earnings of assoc.co.s:** [Incr/Decr] Orico (Note 1), Chemoil Energy Limited -1.3, Mazda Canada Inc. (Note 3) -1.0, MISI -1.0, kabu.com Securities Co., Ltd. (Note 3) -0.7, AI Beverage Holding Co., Ltd +0.4

**Outlook for FY2008**

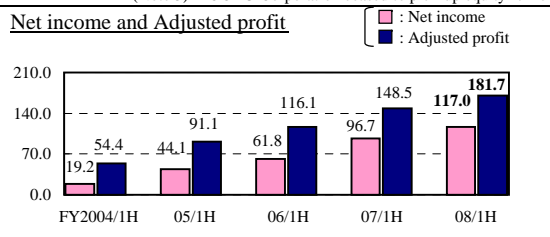
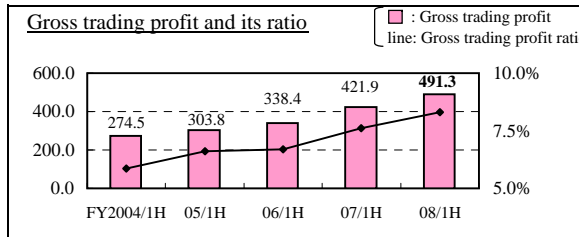
Progress(%)	1st Half FY 2008	1st Half FY 2007	Incr/(Dcr)
1,010.0	49%	975.0	35.0
(725.0)	49%	(700.0)	(25.0)
(5.0)	2%	(5.0)	-
(i) (35.0)	45%	(i) (44.0)	9.0
(ii) 20.0	69%	(ii) 17.0	3.0
(iii) 15.0	90%	(iii) 7.0	8.0
(730.0)	47%	(725.0)	(5.0)
280.0	52%	250.0	30.0
(131.0)	56%	(140.0)	9.0
149.0	48%	110.0	39.0
(19.0)	26%	(19.0)	-
80.0	63%	119.0	(39.0)
210.0	56%	210.0	-

(Accordance with Japanese accounting practice)

	1st Half FY 2008	1st Half FY 2007	Increase (Decrease)	%
Total trading transactions	5,898.0	5,572.4	325.6	6%
Gross trading profit ratio	8.3%	7.6%	0.8%	

	1st Half FY 2008	1st Half FY 2007	Increase (Decrease)	%
Adjusted profit	181.7	148.5	33.2	22%

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



	1st Half FY 2008	1st Half FY 2007	Increase (Decrease)
Dividend Information (Per Share)	17 yen	17 yen	
Annual (Planned)	17 yen	17 yen	
Interim	8.5 yen	8.5 yen	

**Operating Segment Information**

	Gross trading profit (Note 4)			Net income		
	1st Half FY 2008	1st Half FY 2007	Increase (Decrease)	1st Half FY 2008	1st Half FY 2007	Increase (Decrease)
Textile	55.8	58.7	(2.9)	7.2	6.4	0.8
Machinery	51.4	42.8	8.6	16.5	11.5	5.0
Aerospace, Electronics & Multimedia	63.4	61.1	2.3	4.6	6.3	(1.7)
Energy, Metals & Minerals	64.0	48.6	15.4	49.8	35.7	14.1
Chemicals, Forest Products & General Merchandise	61.6	62.7	(1.1)	10.5	13.4	(3.0)
Food	163.0	115.8	47.2	11.1	10.6	0.5
Finance, Realty, Insurance & Logistics Services	18.4	19.9	(1.5)	14.5	3.1	11.4
Other, Adjustments & Eliminations	13.7	12.4	1.3	2.9	9.7	(6.8)
<b>Total</b>	<b>491.3</b>	<b>421.9</b>	<b>69.4</b>	<b>117.0</b>	<b>96.7</b>	<b>20.4</b>

**[Net income] Summary of changes from the same period of the previous fiscal year**

- 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
- Increase in gross trading profit and dividends received
- Decrease due to SG&A increase in domestic IT-related business despite increase in gross trading profit and gain on disposal of investments and marketable securities
- Increase in gross trading profit and dividends received from LNG related investments despite decrease in equity in earnings of associated companies
- Decrease due to decreased gross trading profit and impairment of goodwill and trademark rights in tire business in North America
- Slightly increase due to increase of equity in earnings of associated companies with increased gross trading profit offset by increased SG&A
- Increase of equity in earnings of associated companies from finance related companies despite gross trading profit decrease and SG&A increase
- 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

Components of Consolidated Net Income	1st Half FY 2008	1st Half FY 2007	Increase (Decrease)
Parent company	30.1	39.1	(8.9)
Group companies	(*) 81.8	69.7	12.2
Overseas trading subsidiaries	11.2	10.0	1.2
Consolidation adjustments	(6.1)	(22.1)	15.9
<b>Consolidated net income</b>	<b>117.0</b>	<b>96.7</b>	<b>20.4</b>

(\*) includes the tax effect accounting treatment relating to the equity in investment in Orico. (applied to "Group co. reporting profits" in the "P/L of Group Companies Reporting Profits / Losses" section as well)

Share of Group Companies Reporting Profits	September 30 2007	September 30 2006	Increase (Decrease)
Share of group co. reporting profits	77.4%	78.5%	(1.1%)
Number of group co. reporting profits	489	525	(36)
Number of group co. reporting losses	143	144	(1)
<b>Total</b>	<b>632</b>	<b>669</b>	<b>(37)</b>

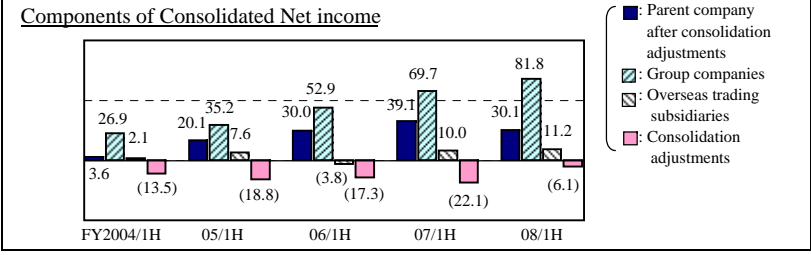
P/L of Group Companies Reporting Profits / Losses	1st Half FY 2008	1st Half FY 2007	Increase (Decrease)
Group co. reporting profits	(*) 109.9	87.2	22.7
Group co. reporting losses	(16.9)	(7.6)	(9.3)
<b>Total</b>	<b>(*) 93.0</b>	<b>79.7</b>	<b>13.4</b>

(Group companies)	1st Half FY 2008	1st Half FY 2007	Increase (Decrease)
Group co. reporting profits	(*) 98.6	76.6	21.9
Group co. reporting losses	(16.7)	(6.9)	(9.8)
<b>Total of Group companies</b>	<b>(*) 81.8</b>	<b>69.7</b>	<b>12.2</b>

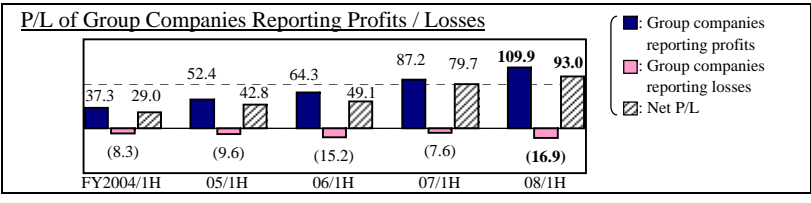
(Overseas trading subsidiaries)	1st Half FY 2008	1st Half FY 2007	Increase (Decrease)
Group co. reporting profits	11.4	10.6	0.8
Group co. reporting losses	(0.2)	(0.6)	0.4
<b>Total of Overseas trading subsidiaries</b>	<b>11.2</b>	<b>10.0</b>	<b>1.2</b>

Financial Position	September 30 2007	March 31 2007	Increase (Decrease)
Total assets	5,408.0	5,271.5	136.5
Interest-bearing debt	2,088.4	2,165.6	(77.3)
Net interest-bearing debt	1,734.0	1,630.9	103.1
Stockholders' equity	1,030.0	896.2	133.8
Net debt-to-equity ratio (times)	1.7	1.8	Improved 0.1



Group Companies	1st Half FY 2008	1st Half FY 2007	Summary of changes from the same period of the previous fiscal year
ITOCHU Oil Exploration (Azerbaijan) Inc. (C)	16.0	10.3	Increase in sales volume accompanied by oil production volume increase
ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA) (C)	13.8	13.8	Almost unchanged due to depreciation of yen in spite of fall in coal prices
Marubeni-Itochu Steel Inc. (MISI) (E)	8.2	9.2	Decline in U.S. building material business
ITOCHU International Inc. (Note 5) (C)	4.7	6.2	Loss from associated companies, including general merchandise related subsidiaries

Group Companies	1st Half FY 2008	1st Half FY 2007	Summary of changes from the same period of the previous fiscal year
ITOCHU Property Development, Ltd. (C)	(7.1)	(0.2)	Devaluation of real estate for sale following the sales policy change for long-term development projects
Am-Pac Tire Distributors, Inc. (C)	(1.2)	0.0	Impairment of goodwill and trademark rights
On Demand TV, Inc. (E)	(1.0)	(0.9)	Prior expenses for expansion of number of customers



Foreign exchange	1st Half FY 2008	1st Half FY 2007	Changes
Mar. closing Yen/US\$, average (Apr.-Sep.)	119.73	115.70	4.03
Yen/US\$, at the end of the period	Sep-07 115.43	Mar-07 118.05	(2.62)
Dec. closing Yen/US\$, average (Jan.-Jun.)	119.49	116.36	3.13
Yen/US\$, at the end of the period	Jun-07 123.26	Dec-06 119.11	4.15

Interest / Crude oil	1st Half FY 2008	1st Half FY 2007	Changes
Interest, JPY TIBOR 3M, average(Apr.-Sep.)	0.735%	0.324%	0.411%
Interest, USD LIBOR 3M, average(Jan.-Jun.)	5.357%	4.989%	0.368%
Crude oil (Brent), average (US\$/BBL) (Apr.-Sep.)	71.67	70.52	1.15
Crude oil (Brent), average (US\$/BBL) (Jan.-Jun.)	63.65	66.55	(2.90)

