

**1st half of FY2008**

**Business Results**

**November 6, 2007**

**ITOCHU Corporation**

**Eizo Kobayashi President and CEO**

# Summary of Consolidated Financial Results



- ✓ Net income of the 1<sup>st</sup> half of FY2008 increased by ¥20.4 billion compared with the 1<sup>st</sup> half of FY2007 to ¥117.0 billion, achieving a record high as a half year result for 3 consecutive years.

	1st half FY2008	1st half FY2007	Increase (Decrease)	Forecast FY2008(original)	Progress
Gross trading profit	<b>491.3</b>	<b>421.9</b>	<b>69.4</b>	<b>975.0</b>	<b>50%</b>
Operating income	<b>133.2</b>	<b>123.6</b>	<b>9.6</b>	<b>270.0</b>	<b>49%</b>
Income before income taxes, minority interests and equity in earnings of associated companies	<b>144.7</b>	<b>137.7</b>	<b>7.0</b>	<b>250.0</b>	<b>58%</b>
Equity in earnings of associated companies	<b>50.4</b>	<b>25.7</b>	<b>24.7</b>	<b>119.0</b>	<b>42%</b>
<b>Net income</b>	<b>117.0</b>	<b>96.7</b>	<b>20.4</b>	<b>210.0</b>	<b>56%</b>
Adjusted profit*	<b>181.7</b>	<b>148.5</b>	<b>33.2</b>	<b>367.0</b>	<b>50%</b>
Net reporting profit from group companies	<b>81.8</b>	<b>69.7</b>	<b>12.2</b>		
Profit from overseas subsidiaries and affiliates	<b>52.9</b>	<b>46.4</b>	<b>6.4</b>		

\*Adjusted profit : Gross trading profit + SG&A expenses + Net financial expenses + Equity in earnings of associated companies  
(※Unit: ¥ billion)

# Net Income by Segments

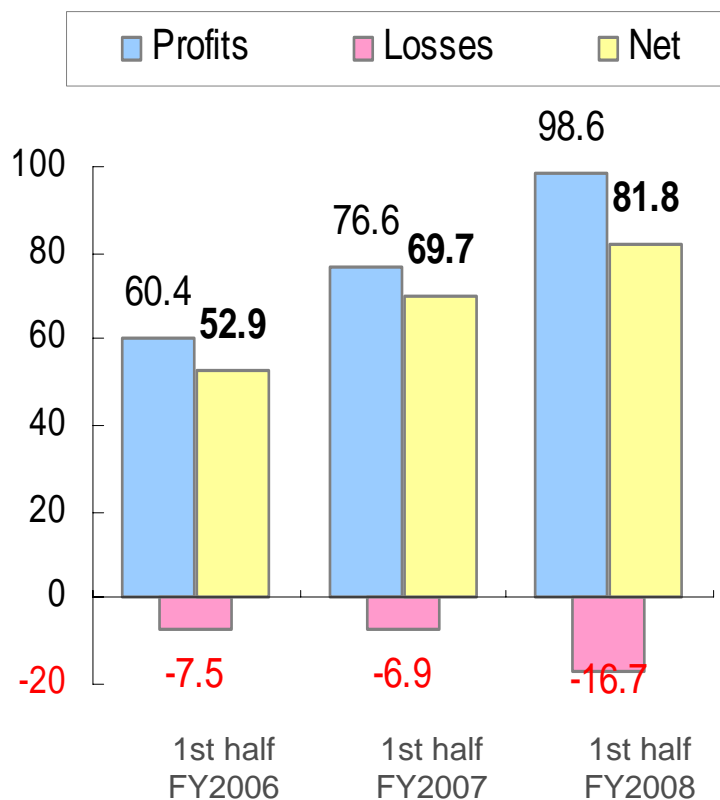


- ✓ Significant increase in Energy, Metals & Minerals sector and Machinery sector.
- ✓ Significant increase in Finance, Realty, Insurance & Logistics Services sector due to one time gain.
- ✓ In consumer related sectors, Textile sector and Food sector increased their net income compared with the 1<sup>st</sup> half of FY2007.

	1st half FY2008	1st half FY2007	Increase (Decrease)	Forecast FY2008(original)	Progress
Textile	<b>7.2</b>	<b>6.4</b>	<b>0.8</b>	<b>19.0</b>	<b>38%</b>
Machinery	<b>16.5</b>	<b>11.5</b>	<b>5.0</b>	<b>19.0</b>	<b>87%</b>
Aerospace, Electronics & Multimedia	<b>4.6</b>	<b>6.3</b>	<b>(1.7)</b>	<b>16.0</b>	<b>28%</b>
Energy, Metals & Minerals	<b>49.8</b>	<b>35.7</b>	<b>14.1</b>	<b>78.0</b>	<b>64%</b>
Chemicals, Forest Products & General Merchandise	<b>10.5</b>	<b>13.4</b>	<b>(3.0)</b>	<b>25.0</b>	<b>42%</b>
Food	<b>11.1</b>	<b>10.6</b>	<b>0.5</b>	<b>22.0</b>	<b>51%</b>
Finance, Realty, Insurance & Logistics Services	<b>14.5</b>	<b>3.1</b>	<b>11.4</b>	<b>38.0</b>	<b>38%</b>
Other, Adjustments & Eliminations	<b>2.9</b>	<b>9.7</b>	<b>(6.8)</b>	<b>(7.0)</b>	<b>—</b>
<b>Net income</b>	<b>117.0</b>	<b>96.7</b>	<b>20.4</b>	<b>210.0</b>	<b>56%</b>

(※Unit: ¥ billion)

# Reporting Profits and Losses from Group Companies



Total number of group companies	675	669	632
Shares of profitable companies	79%	78%	77%

## Profits amount

Increased by ¥21.9 billion to ¥98.6 billion mainly due to good performances of group companies in the Energy sector and one time gain relating to Orient Corporation.

	1st half FY2007	1st half FY2008	Increase (Decrease)
ITOCHU Oil Exploration (Azerbaijan) Inc.	10.3	16.0	5.7
ITOCHU Petroleum Co., (Hong Kong) Ltd.	0.0	2.1	2.1

## Losses amount

Increased by ¥9.8 to ¥16.7 billion mainly due to one time loss relating to real estate business and a goodwill impairment in the tire business in the U.S..

	1st half FY2007	1st half FY2008	Increase (Decrease)
ITOCHU Property Development, Ltd.	(0.2)	(7.1)	(6.9)
Am-Pac Tire Distributors, Inc.	0.0	(1.2)	(1.3)

(※Unit: ¥ billion)

## Investment plan and result

- ✓ It is forecasted that investment of ¥500billion (Gross), ¥400billion(Net) will be made over 2 years (FY2008 and FY2009).
- ✓ Total investment of ¥160billion (Gross), ¥120billion(Net) during the 1st half of FY2008.

## Major investments in 1st half of FY2008

Category	Gross amount invested (¥billion)	Major investments
<b>Consumer related sector</b>	Approx. 20	Capital tie-up with a company involved in prepared foods business Acquisition of a floor covering distributor in the U.S., etc
<b>Natural resource/energy related sector</b>	Approx. 70	Acquisition of oil, gas interest in the Gulf of Mexico and Australia Additional investment in a project for expanding iron ore business in Australia, etc
<b>Other sector</b>	Approx. 70	Acquisition of preferred shares issued by Orient Corporation Purchase of additional shares of a company involved in aircraft business Acquisition of a US photovoltaic power generation system integrator, etc

# Financial Position and Cash Flows



## Financial position

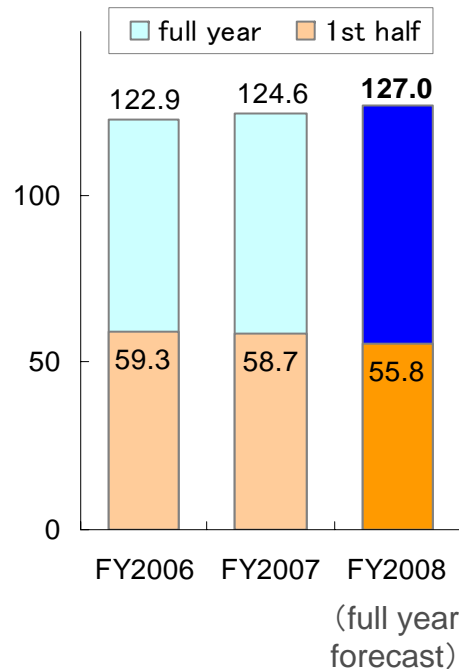
	End of 1st half FY2008	End of FY2007	Variance
Total assets	<b>5,408.0</b>	5,271.5	136.5
Net interest-bearing debt	<b>1,734.0</b>	1,630.9	103.1
Shareholders' equity	<b>1,030.0</b>	896.2	133.8
Net DER	<b>x 1.7</b>	x 1.8	0.1 Improved

## Cash flows

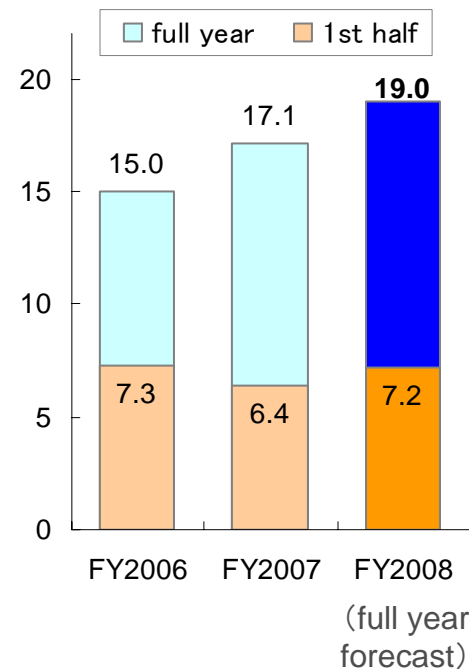
	1st half FY2008	1st half FY2007	Variance
Cash flows from operating activities	<b>16.6</b>	69.6	(53.0)
Cash flows from investing activities	<b>(92.1)</b>	(57.5)	(34.7)
Cash flows from financing activities	<b>(107.9)</b>	(61.0)	(46.9)

(※Unit: ¥ billion)

## Gross trading profit



## Net income



## Overview

### 【Result of 1<sup>st</sup> half of FY2008】

Net income increased mainly due to increase of equity in earnings of associated companies.

### 【Full year forecast】

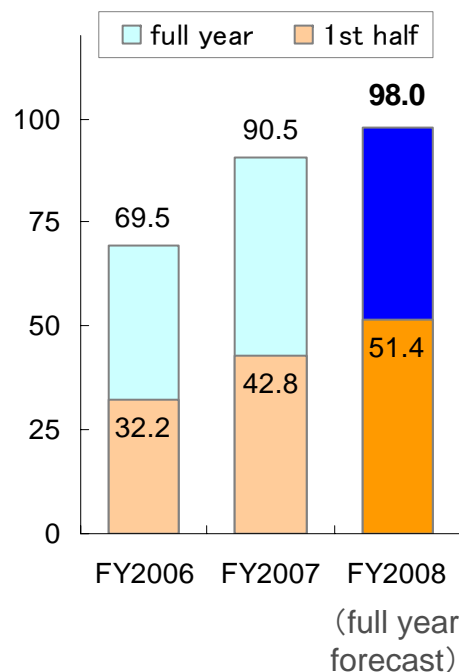
Expecting increase of net income compared with the previous year due to profit contribution from subsidiaries involved in brand businesses and overseas branches.

## Reporting profits/losses from major group companies

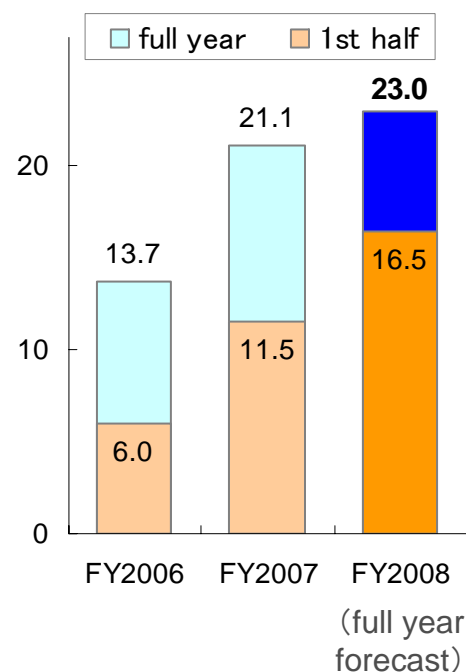
	1st half FY2006	1st half FY2007	1st half FY2008
JOI'X CORPORATION	0.3	0.1	0.1
Tommy Hilfiger Japan, Corporation	0.3	0.3	0.5
Prominent Apparel Ltd.	0.2	0.3	0.3

(※Unit: ¥ billion)

## Gross trading profit



## Net income



## Overview

### 【Result of 1<sup>st</sup> half of FY2008】

Net income as well as gross trading profit increased mainly due to steady growth in transactions of automobile, construction machinery, plant and ships.

### 【Full year forecast】

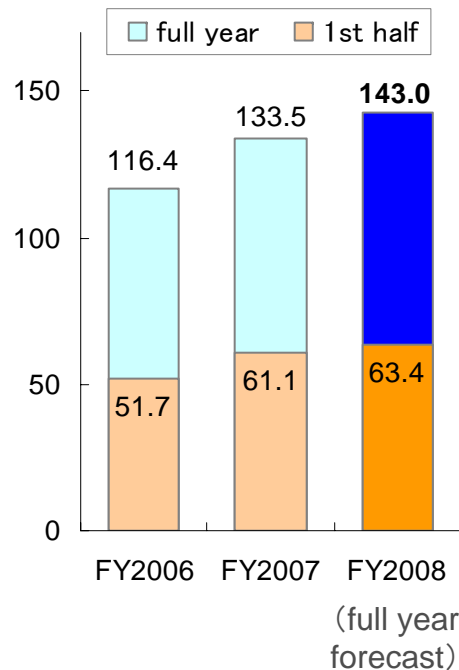
Expecting better performance than original forecast mainly due to steady growth in transactions of businesses mentioned above.

### Reporting profits/losses from major group companies

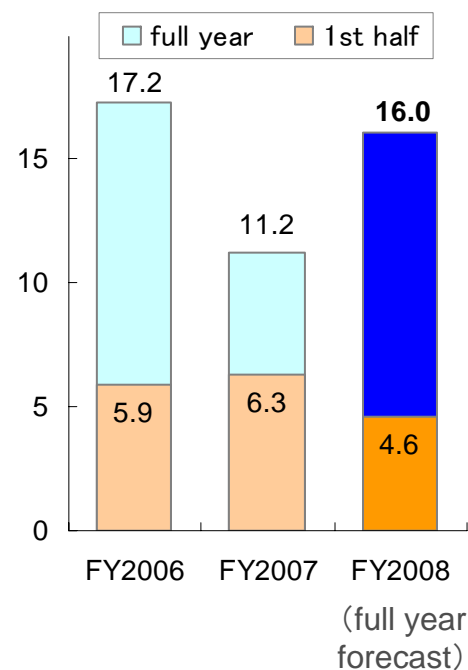
	1st half FY2006	1st half FY2007	1st half FY2008
ITOCHU Automobile America Inc.	<b>0.5</b>	<b>0.6</b>	<b>0.8</b>
ITOCHU CONSTRUCTION MACHINERY CO., LTD	<b>0.2</b>	<b>0.3</b>	<b>0.6</b>
ITOCHU Sanki Corporation	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>
Century Leasing System, Inc.	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>

(※Unit: ¥ billion)

## Gross trading profit



## Net income



## Overview

### 【Result of 1<sup>st</sup> half of FY2008】

Gross trading profit increased mainly due to steady trend in domestic mobile phone sales, but net income decreased due to increase in SG&A in a subsidiary of the IT sector.

### 【Full year forecast】

Expecting higher profit from the IT sector in the 2nd half of FY2008 compared to the 1<sup>st</sup> half. As a result, higher net income is expected compared with the previous year.

## Reporting profits/losses from major group companies

	1st half FY2006	1st half FY2007	1st half FY2008
ITOCHU Techno- Solutions Corporation	2.2 *	3.1 *	2.6
ITC NETWORKS CORPORATION	0.9	0.6	0.9
SPACESHOWER NETWORKS INC.	0.1	0.1	0.1

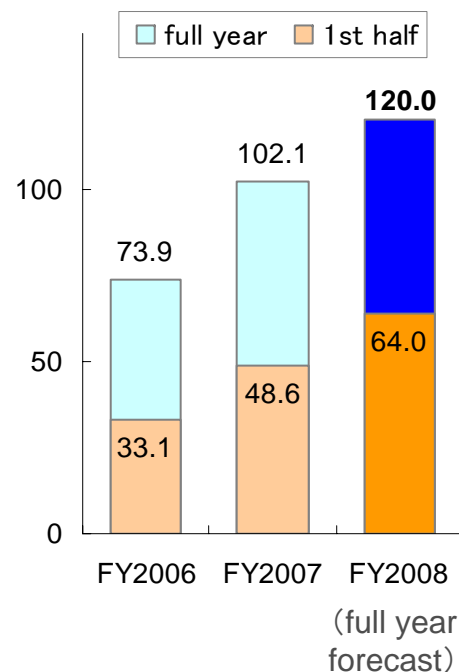
\* CTC+CRC

(※Unit: ¥ billion)

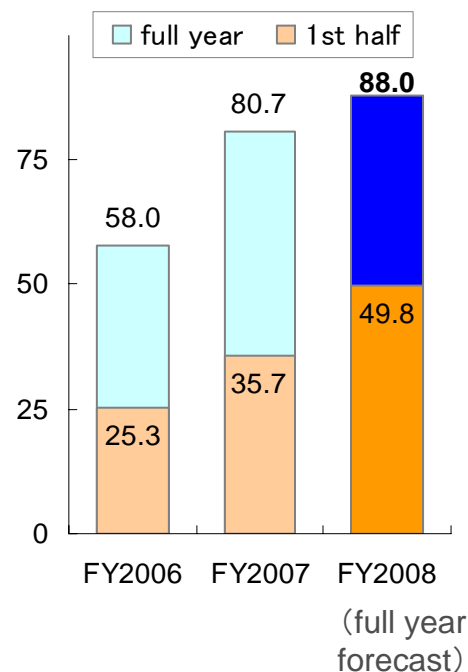
# Operating Segment: Energy, Metals & Minerals



## Gross trading profit



## Net income



## Overview

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

(Breakout)	1st half FY2006	1st half FY2007	1st half FY2008
Metals and Minerals	19.8	22.3	23.1
Energy	5.6	13.4	26.8

## Reporting profits/losses from major group companies etc

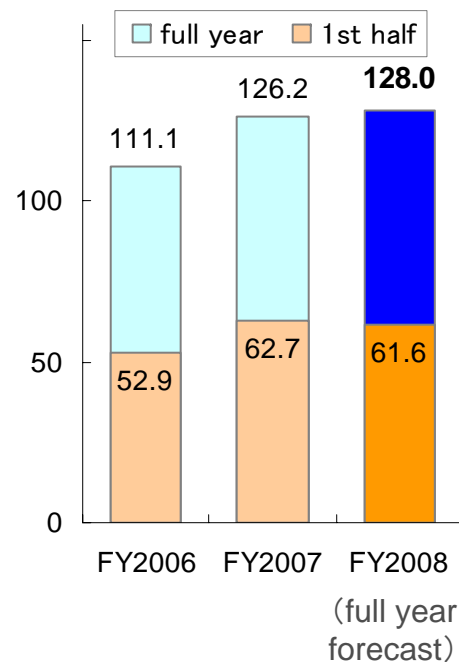
	1st half FY2006	1st half FY2007	1st half FY2008
ITOCHU Minerals & Energy of Australia Pty Ltd	11.4	13.8	13.8
(Iron ore)	6.8	9.6	10.4
(Coal)	4.3	3.2	2.6
(Alumina)	0.3	0.8	0.8
Marubeni-Itochu Steel Inc.	9.5	9.2	8.2
ITOCHU Oil Exploration(Azerbaijan) Inc.	1.2	10.3	16.0
Dividend from LNG(PBT)	4.4	5.4	7.3

## Crude Oil (Brent)

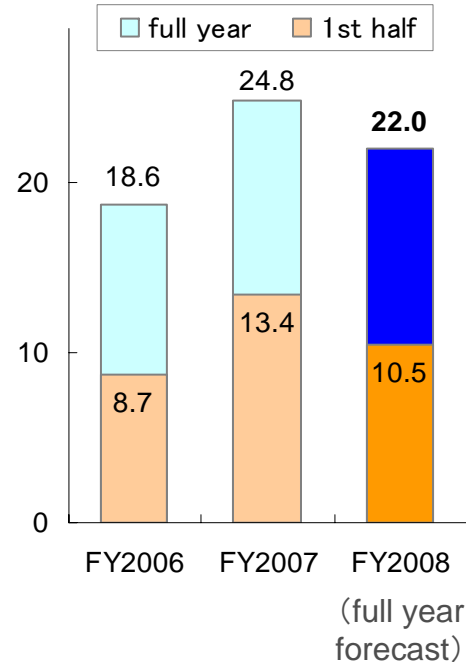
(US\$/BBL)	1st half FY2006	1st half FY2007	1st half FY2008
Average (Jan. - Jun.)	\$50	\$67	\$64

(※Unit: ¥ billion)

## Gross trading profit



## Net income



## Overview

Net income decreased mainly due to a decrease in demand for house building materials in North America, and less active domestic plywood market.

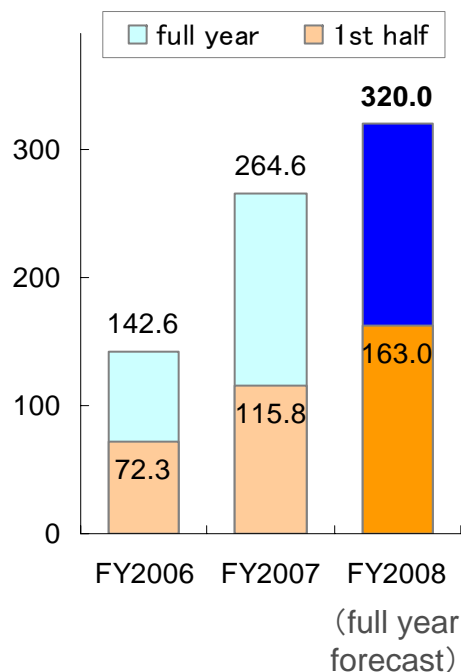
(Breakout)	1st half FY2006	1st half FY2007	1st half FY2008
Forest Products & General Merchandise	4.7	8.1	2.8
Chemicals	4.1	5.3	7.6

## Reporting profits/losses from major group companies

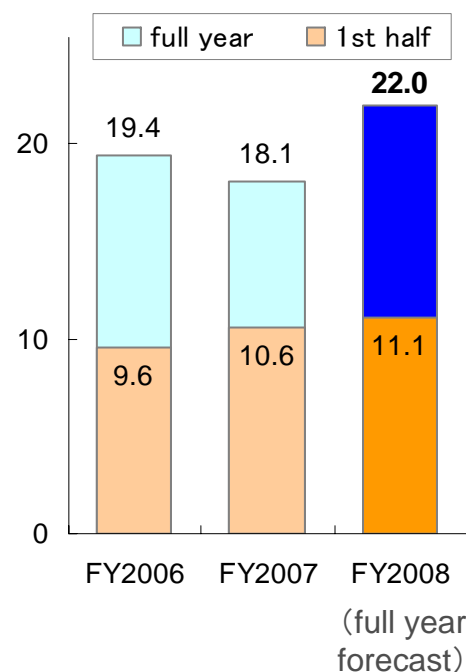
	1st half FY2006	1st half FY2007	1st half FY2008
PrimeSource Building Products, Inc.	2.9	3.6	2.4
ITOCHU Kenzai Corp.	0.6	1.5	0.3
Am-Pac Tire Distributors, Inc.	0.2	0.0	(1.2)
ITOCHU CHEMICAL FRONTIER Corporation	0.5	0.8	0.8
ITOCHU PLASTICS INC.	1.1	1.3	1.6

(※Unit: ¥ billion)

## Gross trading profit



## Net income



## Overview

### 【Result of 1<sup>st</sup> half of FY2008】

Net income increased mainly due to good performance of foodservice, CVS business and soft drink business in China.

### 【Full year forecast】

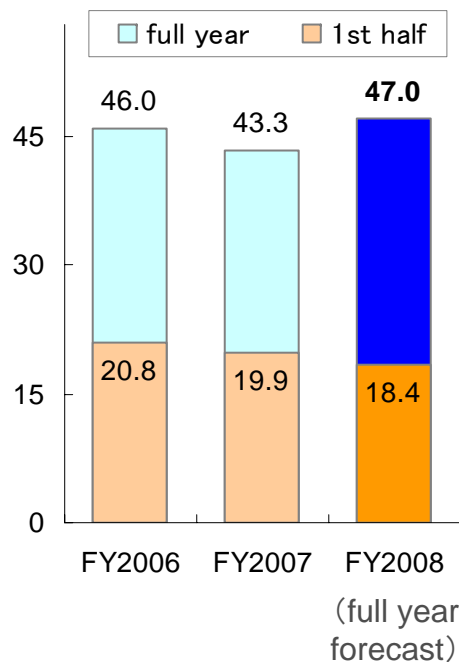
Expecting increase of net income compared with the previous year due to good performances of group companies.

## Reporting profits/losses from major group companies

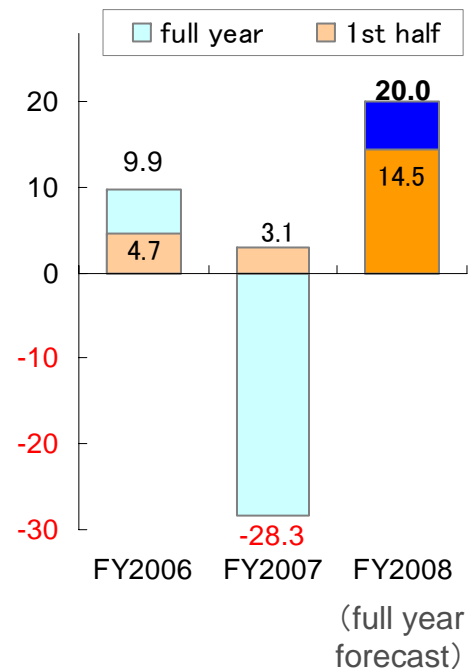
	1st half FY2006	1st half FY2007	1st half FY2008
FamilyMart Co., Ltd.	2.9	3.0	3.0
Yoshinoya D&C Co., Ltd.	(0.2)	0.0	0.3
AI Beverage Holding Co., Ltd.	0.4	0.8	1.2

(※Unit: ¥ billion)

## Gross trading profit



## Net income



## Overview

Net income is expected to increase compared with the previous year mainly due to the absence of one time loss recorded in the previous year and one time gain recorded in this 1st half.

## Reporting profits/losses from major group companies

	1st half FY2006	1st half FY2007	1st half FY2008
ITOCHU Finance Corporation	1.5	1.1	0.1
FX PRIME Corporation	0.0	0.0	0.3
i-LOGISTICS CORP.	0.3	0.3	0.5
Orient Corporation	1.8	0.7	-*

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

(※Unit: ¥ billion)

# Latest Net Income Forecast by Segments



	1st half FY2008	Forecast of FY2008 (original)	Forecast of FY2008 (revised)	Variance	Progress against the revised forecast	FY2007
Textile	<b>7.2</b>	<b>19.0</b>	<b>19.0</b>	<b>0.0</b>	<b>38%</b>	<b>17.1</b>
Machinery	<b>16.5</b>	<b>19.0</b>	<b>23.0</b>	<b>4.0</b>	<b>72%</b>	<b>21.1</b>
Aerospace, Electronics & Multimedia	<b>4.6</b>	<b>16.0</b>	<b>16.0</b>	<b>0.0</b>	<b>28%</b>	<b>11.2</b>
Energy, Metals & Minerals	<b>49.8</b>	<b>78.0</b>	<b>88.0</b>	<b>10.0</b>	<b>57%</b>	<b>80.7</b>
Chemicals, Forest Products & General Merchandise	<b>10.5</b>	<b>25.0</b>	<b>22.0</b>	<b>(3.0)</b>	<b>48%</b>	<b>24.8</b>
Food	<b>11.1</b>	<b>22.0</b>	<b>22.0</b>	<b>0.0</b>	<b>51%</b>	<b>18.1</b>
Finance, Realty, Insurance & Logistics Services	<b>14.5</b>	<b>38.0</b>	<b>20.0</b>	<b>(18.0)</b>	<b>72%</b>	<b>(28.3)</b>
Other, Adjustments & Eliminations	<b>2.9</b>	<b>(7.0)</b>	<b>0.0</b>	<b>7.0</b>	<b>—</b>	<b>32.4</b>
<b>Net income</b>	<b>117.0</b>	<b>210.0</b>	<b>210.0</b>	<b>0.0</b>	<b>56%</b>	<b>177.1</b>

(※Unit: ¥ billion)

# Forecast for FY08



	Forecast FY2008	1st half FY2008	Progress	FY2007
Net income	<b>210.0</b>	<b>117.0</b>	<b>56%</b>	<b>177.1</b>
Total assets	<b>5,800.0</b>	<b>5,408.0</b>		<b>5,271.5</b>
Net DER	<b>x 1.7</b>	<b>x 1.7</b>		<b>x 1.8</b>
Dividend per share	<b>17 yen</b>	<b>8.5 yen</b>		<b>14 yen</b>

(※Unit: ¥ billion)

**Forward-Looking Statements:**

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

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