

**Financial Highlights**

(Billions of yen)

Years ended March 31	'02	'03	'04	'05	'06
Gross trading profit	80.7	87.1	91.9	105.9	111.1
(Forest Products & General Merchandise)	51.6	56.1	59.7	70.4	72.7
(Chemicals)	29.1	31.0	32.3	35.5	38.4
Net income (loss)	(0.2)	10.7	11.5	20.3	18.6
Identifiable assets at March 31	532.7	524.6	557.4	583.7	634.3
ROA (%)	—	2.0	2.1	3.5	3.1

Net Income from Major Group Companies*1

(Billions of yen)

Years ended March 31	'04	'05	'06
ITOCHU Kenzai Corp.	1.0	1.5	0.8
ITOCHU Pulp & Paper Corp.	0.6	0.5	1.1
ITOCHU CHEMICAL FRONTIER Corporation *2	1.3	1.2	1.3
ITOCHU PLASTICS INC.	1.7	1.8	2.6
Prime Source Building Products Inc.	3.2	7.5	7.7

*1 ITOCHU's share of net income

*2 ITOCHU Techno Chemical Inc. and ITOCHU CHEMICAL FRONTIER Corporation merged into the new ITOCHU CHEMICAL FRONTIER Corporation in April 2005. The above figures before the merger are just summed up the two old entities'.

The Chemicals, Forest Products & General Merchandise Company is engaged in business activities involving various materials such as lumber, pulp, paper, rubber, tire, glass and cement, and organic/inorganic chemicals, plastics, and other chemicals. It also handles retail and retail support businesses for lifestyle goods.

Major subsidiaries and associates include ITOCHU Kenzai Corp., ITOCHU Pulp & Paper Corp., ITOCHU CHEMICAL FRONTIER Corporation, ITOCHU PLASTICS INC., DAIKEN CORPORATION, Takiron Co., Ltd., and C.I. Kasei Company, Limited

Business Overview

The Company supplies general materials involving lumber, pulp, paper, rubber, tire, glass and cement, in the Forest Products & General Merchandise Division. In the Chemicals Division, operations focus on organic and inorganic chemicals and plastics. The Company and the Group as a whole are engaged in businesses in close collaboration with all industrial sectors as well as a wide range of customers from upstream to downstream, reaching individual consumers.

For further improvements in operating profits from these business segments, the Company is implementing strategies such as allocating more management resources to strategic areas, increas-

ing overseas profits, developing core subsidiaries, and challenging for profit-making in the retail and other new business areas.

The following subsidiaries are positioned as core members of the Company: ITOCHU Kenzai Corp., ITOCHU Pulp & Paper Corp., ITOCHU CERATECH CORP., ITOCHU CHEMICAL FRONTIER Corporation, ITOCHU PLASTICS INC., and VCJ Corporation. A far-reaching program designed to create the optimum structure and raise profitability across the entire Group is also in place.

On the other hand, as its efforts to make profits in new business areas, the Company is working on biotechnology-related businesses as well as the development and marketing of packaging materials for supermarkets and food vendors.