Provision for doubtful receivables:
"Provision for doubtful receivables" for Fiscal 2006 increased by 138.3% or ¥8.5 billion to ¥14.7 billion (US$125 million) compared with the previous fiscal year, mainly due to a loss on Iraq receivables (¥7.7 billion).

Net financial expenses (Net of "interest income," "interest expense," and "dividends received"):
Net financial expenses for Fiscal 2006 deteriorated by 13.6% or ¥0.9 billion to ¥7.8 billion (US$67 million) compared with the previous fiscal year. Net interest expenses, consisting of "interest income" and "interest expense," deteriorated by 23.7% or ¥5.0 billion to ¥26.0 billion (US$222 million) compared with the previous fiscal year. Although "interest income" increased by 24.5% or ¥2.6 billion compared with the previous fiscal year mainly due to the rise in the U.S. dollar interest rate, "interest expense" increased by 24.0% or ¥7.6 billion compared with the previous fiscal year, mainly due to higher interest rates (The average interest rate rose by 0.42% from 1.30% to 1.72%.) resulting from the rise in U.S. dollar interest rates, despite improvement resulting from a decrease in interest-bearing debt (average debt outstanding decreased by ¥167.7 billion from ¥2,454.3 billion to ¥2,286.6 billion).

Dividends received increased by 28.6% or ¥4.1 billion to ¥18.2 billion (US$155 million) compared with the previous fiscal year, due to an increase in dividends received from LNG-related investments (increased by ¥3.0 billion to ¥9.9 billion compared with the previous fiscal year).

Other profit (loss):
"Gain (loss) on disposal of investments and marketable securities, net of write-down" for Fiscal 2006 improved by ¥77.0 billion to ¥51.6 billion (US$439 million) compared with the previous fiscal year. Gain on sales of investment securities increased by ¥30.5 billion to ¥59.1 billion compared with the previous fiscal year, mainly due to sale of 7-Eleven Inc. (¥13.6 billion), and the U.S. healthcare-related security (¥10.8 billion) and gains on initial public offering of domestic IT-related subsidiaries.

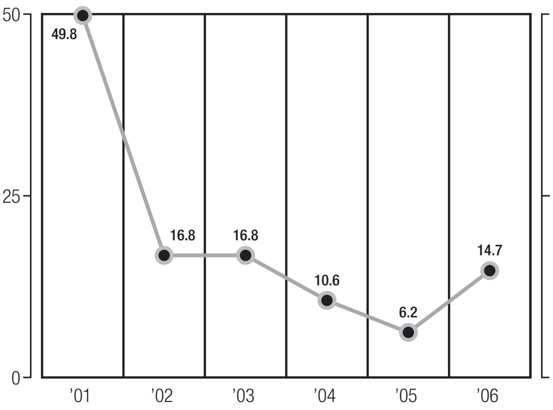
Impairment loss on marketable securities improved by ¥42.2 billion to ¥4.6 billion compared with the previous fiscal year, mostly due to the absence of an impairment loss on investment in FamilyMart Co., Ltd. ("FamilyMart") (¥45.1 billion) taken in the previous fiscal year. In addition, loss on the restructuring of businesses also improved by ¥4.2 billion to ¥2.9 billion compared with the previous fiscal year, as a whole, "gain (loss) on disposal of investments and marketable securities, net of write-down" improved greatly from a loss of ¥25.4 billion in the previous fiscal year to a profit of ¥51.6 billion.

In the previous fiscal year, ITOCHU recognized a ¥45.1 billion (¥26.6 billion, after income tax effect) impairment loss on investment in FamilyMart held by Family Corporation Inc., a subsidiary. The fair value was determined comprehensively considering discounted cash flow analyses prepared by third-party appraisers based on the best information available and the quoted market price of FamilyMart. However, since the carrying amount had exceeded the quoted market price for a considerable period of time, ITOCHU evaluated the fair value using discounted cash flow analysis based on a more conservative estimate considering the market price.

"Loss on property and equipment-net" for Fiscal 2006 deteriorated by ¥2.0 billion to ¥7.9 billion (US$67 million) compared with the previous fiscal year. Gain on the sale of property improved by ¥3.7 billion to ¥2.3 billion compared with the previous fiscal year. However, impairment loss on fixed assets and others deteriorated by ¥5.7 billion to ¥10.2 billion compared with the previous fiscal year, mainly due to the recognition of impairment loss in a domestic subsidiary resulting from deteriorated cash flow by changing rental agreement terms.

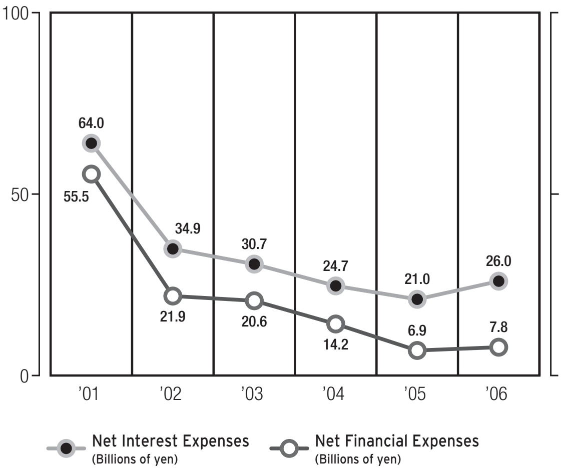
"Other-net" for Fiscal 2006 deteriorated by ¥12.8 billion to a loss of ¥12.4 billion (US$105 million) compared with the previous fiscal year. This resulted mainly from the payment of a legal settlement of ¥19.5 billion (US$185 million) by an overseas trading subsidiary in the U.S. to Citigroup despite

Provision for Doubtful Receivables



* For fiscal years

Net Financial Expenses



* For fiscal years

Net Interest Expenses = Interest Income + Interest Expense
Net Financial Expenses
= Net Interest Expenses + Dividends Received