

## Major Group Companies Reporting Losses

Years ended March 31	Shares	(*1) Net income (loss) Billions of Yen		Reasons for changes
		2006	2005	
Domestic subsidiaries				
ITOCHU BUILDING CORPORATION .....	100.0%	¥(2.7)	¥ 0.2	Recognition of impairment loss due to worsened cash flow by changing rental agreement terms
On Demand TV, Inc. ....	66.3%	(1.2)	(0.1)	Increase in promotional expenses in order to obtain customer viewers
ILLUMS JAPAN CO. LTD. ....	85.0%	(0.9)	(0.3)	Decrease due to impairment loss on property and equipment in addition to low performance of the two new stores and higher cost
Overseas subsidiaries				
Stapleton's (Tyre Services) Ltd. (*7) .....	100.0%	¥(2.4)	¥(0.5)	Decrease in sales by low performance of U.K. market and decrease due to restructuring loss for management improvement by store-closing and warehouse-consolidation
ITOCHU AirLease B.V. ....	100.0%	(1.1)	(0.8)	Decrease mainly due to impairment loss on aircraft and bad loans
Domestic equity-method associated companies				
Famima Credit Corporation (*8) .....	49.9%	¥(0.5)	¥(0.6)	Deficit decrease due to improvement of profit by increased number of customer

(\*1) Net income(loss) are figures after adjusting to U.S. GAAP, which can be different from the figures, which each company announces.

(\*2) The net income of ITOCHU Finance Corporation includes 4.2% of that of kabu.com Securities Co., Ltd.

(\*3) The net income of ITOCHU Petroleum Japan Ltd. includes 25% of that of BERKSHIRE OIL CO., LTD.

(\*4) ITOCHU Techno-Chemical Inc was merged with ITOCHU CHEMICAL FRONTIER Corporation in April 2005, and thus, the net income of ITOCHU Techno-Chemical Inc is included in that of ITOCHU CHEMICAL FRONTIER Corporation in the previous fiscal year.

(\*5) The net income of ITOCHU Australia Ltd. includes 3.7% of that of ITOCHU Minerals & Energy of Australia Pty Ltd.

(\*6) The net income of ITOCHU International Inc. includes 80% of that of Prime Source Building Products, Inc.

(\*7) The net income of ITOCHU Europe PLC includes 8.1% of that of Stapleton's (Tyre Services) Ltd.

(\*8) The net income of FamilyMart Co., Ltd. includes 10.2% of that of Famima Credit Corporation.

## Outlook for Fiscal 2007

Looking forward to the business environment of Fiscal 2007, for the Japanese economy, a steady and continuous good cycle is expected through increase in employment and capital investment by high-level corporate profits, which leads to expansion of production and profit. For overseas economies, the U.S. and China are still expected to expand in spite of a slight slowdown. For European and South East Asian economies, it is predicted that recovery will be accelerated mainly due to their domestic demand. Meanwhile, it is necessary to pay constant attention to increasing inflationary pressures from worldwide economic expansion.

Under these circumstances, concerning with outlook for Fiscal 2007, it is anticipated to increase expenses due to expansion of the operation in existing and newly consolidated subsidiaries and to deteriorate in net financial expenses due to the effect of the rise in U.S. dollar interest rates. However, ITOCHU expects good results in all operating segments as follows.

**Textile:** further contribution by a newly consolidated brand-related subsidiary is expected.

**Machinery:** it is expected to consistently expand in the automobile-related business in Europe and the U.S. and in the construction machinery-related business in North America.

**Aerospace, Electronics & Multimedia:** a steady growth in domestic IT industry-related business is expected despite a decrease in gains on sales of marketable securities and on initial public offerings.

**Energy, Metals & Minerals:** an increase in production volume of Azerbaijan crude oil is expected.

**Chemicals, Forest Products & General Merchandise:** it is expected to increase profits of major domestic subsidiaries and to improve performance in downstream business.

**Food:** an increase in profits is expected through the promotion of "Strategic Integrated System."

**Finance, Realty, Insurance & Logistics Services:** further contribution mainly by finance-related business is expected.