

Main Points in the Fiscal Year Ended March 2006

The main “aggressive business” and “solid management” points in the fiscal year ended March 2006 are as follows.

1. Steady execution of a “Shift to aggressive business” – Expansion of earnings -

ITOCHU renewed record-high consolidated net income of ¥145.1 billion that surpassed our long-standing goal of ¥100 billion. In addition to consolidated net income we also achieved record-high gross trading profit (¥714.4 billion), income before income taxes, minority interests, equity in earnings of associated companies, and cumulative effect of an accounting change (¥216.9 billion), equity in earnings of associated companies (¥51.7 billion), adjusted profit (¥252.0 billion),* and parent company net income (¥54.4 billion), etc. Gross trading profit showed particularly strong growth, with a 13.3% year-on-year increase. We have achieved an increase in gross trading profit in all of our business segments for two consecutive years. Net income has nearly doubled on a consolidated basis since the previous fiscal year and net income for the parent company alone has increased by approximately 1.6 times. Thus we have achieved record-high net income which is well balanced between the group as a whole and the parent company and we have steadily expanded earnings.

Furthermore, as a cornerstone for future earnings expansion, we have made up-front investments in Orient Corporation (Orico), acquired new natural resource related equity shares, and participated in iron ore production enhancement projects. We have also proactively and steadily made a strategic move into our brand business.

ITOCHU’s efforts to date to boost asset efficiency and improve our financial position have born fruit and I firmly believe that we have almost completed the foundation to support a highly profitable corporate group earning over ¥100 billion in consolidated net income in a steady and sustainable manner.

* Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Net financial expenses + Equity in earnings of associated companies

2. Further promotion of the “Enhancement of solid management” underpinning “aggressive business” – Reinforcement of our financial position –

Reflecting our shift to aggressive business, total assets reached ¥4.797 trillion, a ¥324.7 billion increase from the end of the previous fiscal year, due to the increase in trade receivables and investment. Total stockholders’ equity achieved an all-time high of ¥726.8 billion. Meanwhile we continued to promote control of interest-bearing debt and have reduced them to ¥1.724 trillion, ¥166.8 billion less than at the end of the previous fiscal year. As a result we achieved a NET DER of 2.4 times, an improvement of 1.3 points compared to the end of the previous fiscal year. It signifies that we have achieved the target in the mid-term management plan of a NET DER “below 3.0 times” well ahead of schedule. I am convinced that the enhancement of our financial position is making steady progress.

