Division Companies

Over its long 150-year history, ITOCHU has swiftly adapted in response to changing conditions. The Company has steadfastly added to and extended its business areas—from Japan to the world; from textiles to natural resource development, machinery, food, consumer-related products, and financial services; and from midstream businesses to upstream and downstream businesses.

To make that operational format more effective, we introduced a Division Company System in 1997 to accelerate decision-making speed and increase management efficiency. Further, the company-wide lateral functions of Headquarters maximize overall earnings by strengthening collaboration among division companies.

Division Companies at a Glance

ITOCHU Corporation and Subsidiaries
Years ended March 31

Division Companies | Net Income Fiscal 2008 — Before "Other, Adjustments & Eliminations" | Total Assets Fiscal 2008 — Before "Other, Adjustments & Eliminations"

Textile Company

Division Companies	Net Income (Fiscal 2008)	Total Assets (Fiscal 2008)
Textile Company	9.6%	7.7%

Machinery Company

Division Companies	Net Income (Fiscal 2008)	Total Assets (Fiscal 2008)
Machinery Company	10.6%	14.6%

Aerospace, Electronics & Multimedia Company

Division Companies	Net Income (Fiscal 2008)	Total Assets (Fiscal 2008)
Aerospace, Electronics & Multimedia Company	6.9%	10.8%

Energy, Metals & Minerals Company

Division Companies	Net Income (Fiscal 2008)	Total Assets (Fiscal 2008)
Energy, Metals & Minerals Company	49.7%	19.3%

Chemicals, Forest Products & General Merchandise Company

Division Companies	Net Income (Fiscal 2008)	Total Assets (Fiscal 2008)
Chemicals, Forest Products & General Merchandise Company	9.3%	16.2%

Food Company

Division Companies	Net Income (Fiscal 2008)	Total Assets (Fiscal 2008)
Food Company	8.8%	22.5%

Finance, Realty, Insurance & Logistics Services Company

Division Companies	Net Income (Fiscal 2008)	Total Assets (Fiscal 2008)
Finance, Realty, Insurance & Logistics Services Company	5.1%	8.9%

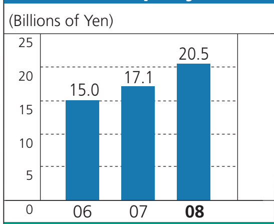
Major Group Companies	Major Products and Services
Prominent Apparel Ltd. ITOCHU TEXTILE (CHINA) CO., LTD. JOI'X CORPORATION	• Textile materials • Fabrics • Apparel products • Fashion goods and accessories • Industrial textiles • Branded products based on total lifestyle-theme including apparel, food, and living
ITOCHU Sanki Corporation ITOCHU Construction Machinery Co., Ltd. MCL Group Limited ITOCHU Automobile America Inc. Century Leasing System, Inc.	• Gas, oil, and petrochemical plants • Ships • Automobiles • Rolling stock • Power-generating equipment • Construction machinery • Textile machinery • Industrial machinery • Food machinery • Plastics/polymer-related equipment • Electronic devices/electronics-related equipment • Water resources and environment-related equipment • New business related to renewable and alternative energy sources (solar power cells etc.)
ITOCHU Techno-Solutions Corporation ITC NETWORKS CORPORATION Excite Japan Co., Ltd. SPACE SHOWER NETWORKS INC.	• Broadcasting and communication business • Electronic systems • Internet-related business • Equipment for broadcasting and communication services • Programming supply and entertainment-related business • Mobile equipment and services • Life science business • Systems and related equipment for computers and information processing • Semiconductor equipment • Aircraft and in-flight equipment • Air transportation management systems • Space-related equipment • Security equipment
ITOCHU Metals Corporation ITOCHU Petroleum Japan Ltd. ITOCHU Minerals & Energy of Australia Pty Ltd ITOCHU Oil Exploration (Azerbaijan) Inc. Marubeni-Itochu Steel Inc.	• Iron ore • Coal • Aluminum • Steel scrap • Steel products • Crude oil • Petroleum products • LPG • LNG • Nuclear fuel
ITOCHU Kenzai Corp. ITOCHU Pulp & Paper Corp. ITOCHU CHEMICAL FRONTIER Corporation ITOCHU PLASTICS INC. PrimeSource Building Products, Inc.	• Building materials • Logs and lumber • Paper • Pulp • Natural rubber • Tires • Ceramic products • Basic chemicals • Fine chemicals • Pharmaceutical products • Inorganic chemicals • Plastics • Various consumer products
NIPPON ACCESS, INC. Japan Foods Co., Ltd. FamilyMart Co., Ltd.	• Wheat and barley • Vegetable oils • Soybeans and corn • Beverage materials (juice, coffee) • Sugar, sweeteners • Dairy products • Marine, livestock and agri products • Frozen foods • Processed foods and pet foods • Soft drinks and liquor
ITOCHU Finance Corporation CENTURY 21 REAL ESTATE OF JAPAN LTD. i-LOGISTICS CORP. Orient Corporation FX PRIME Corporation eGuarantee, Inc.	• Foreign exchange and securities trading, asset management business • Loans • FX margin account trading • Credit card/shopping credit • Other financial services • Property development,sales and purchase, and asset management • Brokerage and advisory service • Equity investment to funds • Private finance initiatives (PFIs) • House construction • REIT management • Golf courses • Insurance agent and insurance broker • Domestic and international 3PL • Chartering

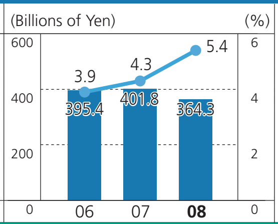
Net Income (Loss) | Total Asetts / ROA | Financial Highlights

Total Assets (left) — ROA (right)

(Billions of Yen)

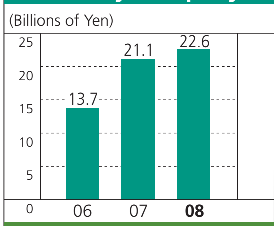
Textile Company

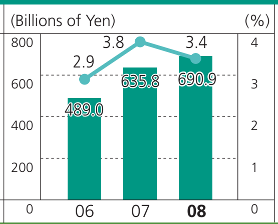




Years ended March 31	2004	2005	2006	2007	2008
Gross trading profit	¥100.3	¥112.8	¥122.9	¥124.6	**¥115.2**
Net income	11.7	14.8	15.0	17.1	**20.5**
Identifiable assets at March 31	382.7	377.2	395.4	401.8	**364.3**
ROA (%)	3.1	3.9	3.9	4.3	**5.4**

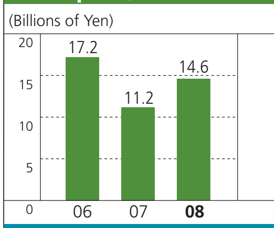
Machinery Company

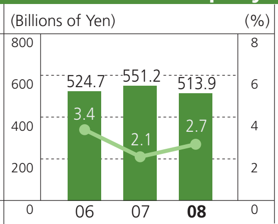




Years ended March 31	2004	2005	2006	2007	2008
Gross trading profit	¥ 51.1	¥ 58.0	¥ 69.5	¥ 90.5	**¥100.5**
Net income	3.9	10.5	13.7	21.1	**22.6**
Identifiable assets at March 31	433.6	451.4	489.0	635.8	**690.9**
ROA (%)	0.8	2.4	2.9	3.8	**3.4**

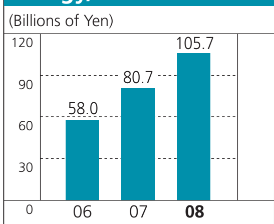
Aerospace, Electronics & Multimedia Company

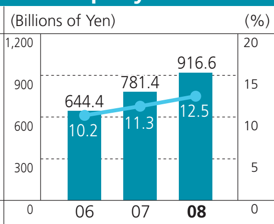




Years ended March 31	2004	2005	2006	2007	2008
Gross trading profit	¥105.5	¥108.4	¥116.4	¥133.5	**¥139.0**
Net income	2.6	14.4	17.2	11.2	**14.6**
Identifiable assets at March 31	464.3	489.4	524.7	551.2	**513.9**
ROA (%)	0.5	3.0	3.4	2.1	**2.7**

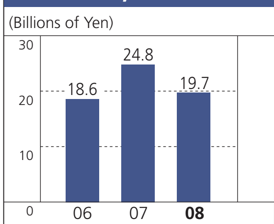
Energy, Metals & Minerals Company

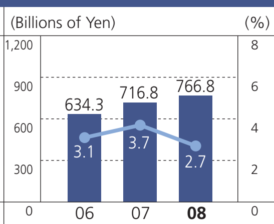




Years ended March 31	2004	2005	2006	2007	2008
Gross trading profit	¥ 24.7	¥ 39.1	¥ 73.9	¥102.1	**¥127.5**
(Metals & Minerals)	14.4	25.8	48.2	46.5	**50.0**
(Energy)	10.3	13.3	25.6	55.6	**77.5**
Net income	12.9	25.7	58.0	80.7	**105.7**
Identifiable assets at March 31	443.7	491.0	644.4	781.4	**916.6**
ROA (%)	3.1	5.5	10.2	11.3	**12.5**

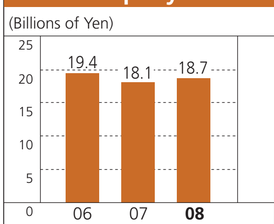
Chemicals, Forest Products & General Merchandise Company

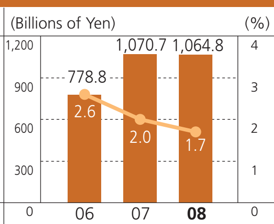




Years ended March 31	2004	2005	2006	2007	2008
Gross trading profit	¥ 91.9	¥105.9	¥111.1	¥126.2	**¥122.6**
(Forest Products & General Merchandise)	59.7	70.4	72.7	79.4	**74.3**
(Chemicals)	32.3	35.5	38.4	46.8	**48.3**
Net income	11.5	20.3	18.6	24.8	**19.7**
Identifiable assets at March 31	557.4	583.7	634.3	716.8	**766.8**
ROA (%)	2.1	3.5	3.1	3.7	**2.7**

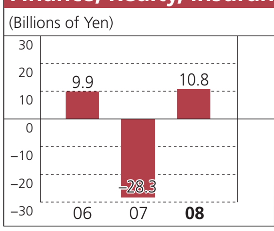
Food Company

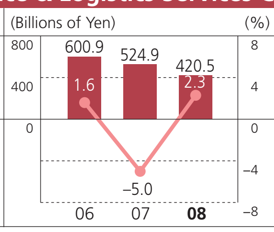




Years ended March 31	2004	2005	2006	2007	2008
Gross trading profit	¥130.9	¥136.2	¥142.6	¥ 264.6	**¥ 324.7**
Net income (loss)	13.3	(9.3)	19.4	18.1	**18.7**
Identifiable assets at March 31	711.6	728.0	778.8	1,070.7	**1,064.8**
ROA (%)	1.9	(1.3)	2.6	2.0	**1.7**

Finance, Realty, Insurance & Logistics Services Company





Years ended March 31	2004	2005	2006	2007	2008
Gross trading profit	¥ 16.0	¥ 39.3	¥ 46.0	¥ 43.3	**¥ 41.4**
Net income (loss)	(75.6)	5.4	9.9	(28.3)	**10.8**
Identifiable assets at March 31	609.7	615.3	600.9	524.9	**420.5**
ROA (%)	(11.6)	0.9	1.6	(5.0)	**2.3**

Net Income (Loss) from Major Group Companies

(Billions of Yen)

Frontier+ 2008 Strategies

Years ended March 31	2006	2007	2008
Prominent Apparel Ltd.	¥0.0	¥0.6	¥0.6
ITOCHU TEXTILE (CHINA) CO., LTD.	0.5	0.9	0.9
JOI'X CORPORATION	1.2	1.1	0.9

- Pioneer and develop new businesses and aggressively implement M&A activities
- Expand revenue and earnings from overseas operations
- Boost earning power of operating companies

Years ended March 31	2006	2007	2008
ITOCHU Sanki Corporation	¥0.4	¥ 0.4	¥ 0.4
ITOCHU CONSTRUCTION MACHINERY CO., LTD.	0.4	0.7	0.8
MCL Group Limited	0.4	(0.4)	(2.6)
ITOCHU Automobile America Inc.	1.1	1.2	0.6
Century Leasing System, Inc.	1.3	1.6	1.5

- Further expand core businesses, centered on automobiles, ships, petroleum and chemical plants, and construction machinery
- Develop new business fields, including environment, energy conservation, alternative energy sources (solar cells), IPPs and water resources, railway, transport, and infrastructure
- Enhance management efficiency by accumulating high-quality assets

Years ended March 31	2006	2007	2008
ITOCHU Techno-Solutions Corporation*	¥6.6	¥7.4	¥ 8.1
ITC NETWORKS CORPORATION	2.1	1.8	1.7
Excite Japan Co., Ltd.	0.6	0.2	(1.1)
Space Shower Networks Inc.	0.2	0.2	0.2

* ITOCHU Techno-Solutions Corporation's net income includes the net income of former CRC Solutions Corp.

- Accelerate growth in core businesses of aerospace, IT solutions, and mobile
- Turn up-front investments in life science and mobile & contents into sources of profit
- Pioneer new businesses

Years ended March 31	2006	2007	2008
ITOCHU Metals Corporation*	¥ 1.0	¥ 1.2	¥ 1.4
ITOCHU Petroleum Japan Ltd.	2.5	5.1	3.6
ITOCHU Minerals & Energy of Australia Pty Ltd.	25.9	28.9	38.5
ITOCHU Oil Exploration (Azerbaijan) Inc.	5.2	21.2	33.4
Marubeni-Itochu Steel Inc.	15.9	16.8	16.9

* Company name changed as of April 1, 2008 (former company name: ITOCHU Non-Ferrous Materials Co., Ltd.)

- Expand equity interests in natural resource development projects
- Strengthen value chains through activities including M&A
- Train personnel to manage global network
- Commercialize and realize profitability in new energy businesses, including solar energy, dimethyl ether (DME), and bio-ethanol • Construct profitable models for environment-related businesses, such as greenhouse gas emissions credit trading and resource recycling

Years ended March 31	2006	2007	2008
ITOCHU Kenzai Corp.	¥0.8	¥2.4	¥ 0.3
ITOCHU Pulp & Paper Corp.	1.1	0.8	0.6
ITOCHU CHEMICAL FRONTIER Corporation	1.3	1.8	1.8
ITOCHU PLASTICS INC.	2.6	3.2	3.1
PrimeSource Building Products, Inc.	7.7	7.4	6.4

- Bolster core businesses, including building materials in North America, pulp trading, and basic and fine chemicals, and strengthen overseas operations
- Develop new businesses in Life & Healthcare and Environment & New Energy-related sectors
- Pursue a Group personnel strategy
- Strengthen risk management and maintain strict compliance

Years ended March 31	2006	2007	2008
NIPPON ACCESS, INC.*	¥0.5	¥2.4	¥ 2.6
Japan Foods Co., Ltd.	0.0	0.1	0.1
FamilyMart Co., Ltd.	4.3	4.7	4.9

* The fiscal 2007 figure for NIPPON ACCESS, INC., is based on a calculation that includes the figure for Nishino Trading Co., Ltd.

- Move forward with application of SIS strategy in domestic market as well as at overseas bases exporting to Japan
- Develop SIS strategy for overseas markets • Create value-added businesses and turn them into profit-generating operations
- Implement organizational reform of management structure of Group companies • Pursue personnel strategy
- Strengthen risk management
- Maintain strict compliance and continuously pursue food safety

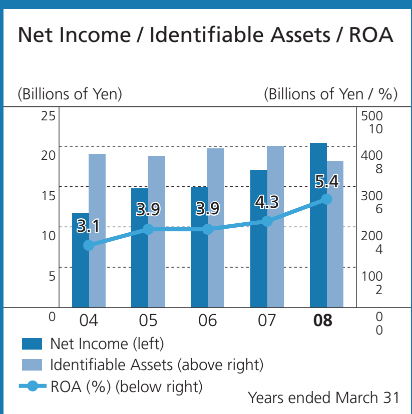
Years ended March 31	2006	2007	2008
ITOCHU Finance Corporation	¥3.2	¥ 2.3	¥ (7.0)
CENTURY 21 REAL ESTATE OF JAPAN LTD.	0.3	0.4	0.4
i-LOGISTICS CORP.	0.6	0.4	0.7
Orient Corporation	3.1	(40.6)	19.3
FX Prime Corporation	0.3	0.1	0.7
eGuarantee, Inc.	0.1	0.1	0.0

- Support Orico's new medium-term plan in cooperation with Mizuho Financial Group • Establish a solid position in fund and securitization businesses, particularly in areas of private equity and real estate securitization • Draw on Division Companies' strengths to develop overseas operations
- Increase revenue and earnings through development and restructuring of core operating companies • Strengthen risk-taking capabilities in areas of insurance and logistics

Textile Company

Not only in apparel but across all of our Consumer-Related businesses, including food and household goods, we are dedicated to realizing highly value added that enriches people's everyday lives. Based on that commitment, we will extend our role on the world stage.

Masahiro Okafuji
President, Textile Company



Business Overview and Competitive Advantages

With its inaugural textile businesses at its center, the Textile Company provides highly value added products through a wide range of business areas, from fashion to advanced technology.

We have evolved our original textile operations into a diversity of businesses, which operate through networks linking bases in regions worldwide. Our offerings range from raw materials to finished products such as textile and clothing. Furthermore, we provide composite materials, advanced functional materials, and nonwoven textiles used in a broad spectrum of industries, including automotive and electronics. We develop businesses from a global perspective. As well as importing overseas brands and developing licensing businesses, we have acquired brand trademark rights and undertaken mergers and acquisitions to achieve long-term stabilization of trademark rights. Also, in advanced technology areas we have fostered, the Company is developing businesses with a view to leveraging Japan's superior technology to the markets around the world.

The strengths of the Company lie in its boldness and far-sightedness. In addition to upfront investment in promising businesses, we diligently create new business models and realize timely asset renewal. Above all, our brand businesses dominate the industry and continue to realize new business strategies and formats ahead of competitors. Those efforts focus on businesses covering importing to licensing, expansion of sales channels and lineups, long-term stabilization of trademark rights though tie-ups and acquisitions, and global development mainly in Asia. While many other trading companies withdraw from the textile business, we strive to achieve unrivaled earning power by always making textiles the starting point of operational development.

Fiscal 2008 Business Conditions and Business Results

In fiscal 2008, business conditions in the textile industry gave few grounds for optimism. Negative factors included the continuing shrinkage of the domestic market, the appreciation of the euro, increasing production costs in China due to the effect of the appreciation of the renminbi and higher personnel expenses, and a slump in the apparel market, especially in women's apparel, caused by unseasonable weather. On the other hand, positive trends began to emerge. For example, the Company saw a rise in business opportunities, fueled by the growth of the lifestyle-solutions business that countains apparel, food, and living, and the development of new sales channels through television and Internet. Opportunities for our business solutions operations also grew because integration and restructuring of the retail and distribution industries consolidated our business customers, and led them to seek efficient, comprehensive supplies of commercial materials. Furthermore, regional trade is likely to be stimulated by the conclusion of free trade agreements and economic partnership agreements.

In fiscal 2008, gross trading profit edged down ¥9.4 billion year on year, to ¥115.2 billion. However, thanks to contributions from subsidiaries and associated companies and gain on sales of investment securities, the Company recorded higher earnings for the seventh consecutive year, with a ¥3.4 billion year-on-year increase in net income, to ¥20.5 billion.

Fiscal 2008 Initiatives

In initiatives to strengthen core businesses in accordance with Frontier+ 2008, we brought 11 new brands to the market. In addition, Paul Smith and LeSportsac—acquired as part of the merger and acquisition strategy that we have pursued for major brands in recent years—have become mainstays of earnings in brand businesses. In particular, we accelerated the expansion of LeSportsac in China and other countries.

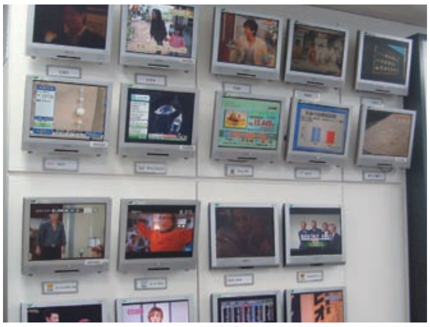
Among efforts to develop new business areas, we extended our business into areas even closer to consumers. For example, we entered the growing television shopping business by investing in and forming an operational tie-up with PRIME NETWORK INC. As part of initiatives to expand advanced technology businesses, our development of applications for curved surface printing technology got on track, based on an exclusive sales rights agreement with Shuhou Co., Ltd. We are steadily expanding the applications of that technology from mobile phone decoration to automobile interiors and more. Regarding non-water dyes, INKMAX CO., LTD., began marketing an ultra fine particle pigment inks, which it jointly developed with MITSUBISHI PENCIL CO., LTD., is further growing operations by developing a diverse range of materials and applications. In order to strengthen our operational and capital tie-up with DESCENTE, Ltd., we increased our stake in the company to make it an equity-method associated company in May 2008. The Company and DESCENTE, Ltd. intend to move forward with strategic initiatives in our respective core businesses.

Steps to accelerate overseas businesses development included the establishment of a knitting plant in Bangladesh, I.P.JAQ KNITTING LIMITED, in accordance with our "China-plus-one" strategy for further development of production. The company manufactures and supplies highly value added knitwear products mainly for the U.S. and European markets.

Fiscal 2009 Initiatives

Guided by a basic strategy of creating new business models through marketing approaches that seek added value, we will acquire trademark rights through mergers and acquisitions and venture further into new business areas. Specifically, in core businesses we will strengthen businesses that are closer to consumers. Furthermore, we will foster non-apparel business such as sundries and industrial textiles. At the same time, we will focus on discovering and cultivating advanced technology projects that stem from textiles.

Strengthening operational and capital tie-up with DESCENTE, Ltd.
(photograph: mila schön sport)
Taking the recent strengthening of an operational and capital alliance as an opportunity, the Company is building an even more robust medium-to-long-term partnership with DESCENTE that will exploit ITOCHU's global network to advance strategic measures in both companies' core businesses.



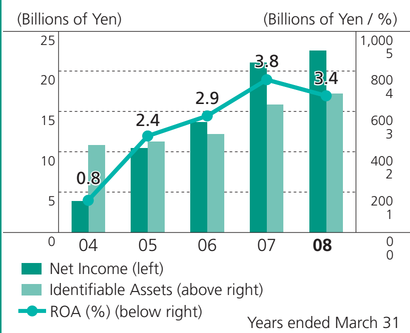
Prime Shopping
We entered into a new partnership with the television shopping company PRIME NETWORK INC. ITOCHU will fully realize the merits of the new alliance by drawing on its strength in brand lineups to develop lifestyle solutions businesses and utilizing the new powerful sales channel.

Machinery Company

Benefiting local communities and international society, the Machinery Company's operations have global reach and center on automobiles, ships, plant, construction machinery, and industrial machinery. As an environment-friendly business, we trade equipment for water resources and the environment and develop businesses related to renewable and alternative energy.

Takanobu Furuta
President, Machinery Company

Net Income / Identifiable Assets / ROA



Business Overview and Competitive Advantages

The Machinery Company comprises the Plant & Project Division, the Automobile Division, and the Industrial Machinery & Solution Division. Our operations are not limited to Japan. We undertake trading and business investment in overseas markets, with roughly one third of employees deployed to overseas bases. Further, we are focusing efforts on initiatives in the Japanese market through tie-ups with strategic partners.

The Plant & Project Division advances a wide range of business initiatives in such areas as gas, petrochemicals, electric power, transport, infrastructure, ships, and environmental products. Initiatives include the discovery and development of new projects; engineering, procurement, and construction businesses; project finance; and capital investment.

The Automobile Division exploits the ITOCHU global network to develop businesses rooted in regions. In the United States, Europe, Asia, and Japan, the division concentrates on such automobile-related businesses as wholesale, retail, finance, and distribution.

The Industrial Machinery & Solution Division trades, wholesales, and retails construction machinery and develops overseas projects. Also handling general industrial machinery, textile machinery, food machinery, and polymer and plastics related equipment, and electronics-related equipment, the division collaborates with ITOCHU Group companies in Japan and overseas to sell machinery and equipment and provide solutions.

Further, aiming to realize environment-friendly operations, we handle equipment for water resources, solar cells, and other environment-related devices, and we are developing businesses related to renewable and alternative energy.

In terms of ROA, the Company stands out as one of the most asset-efficient machinery divisions in the general trading company sector. Moreover, we will further increase earning power by allocating management resources to priority areas and making forays into new business areas.

Fiscal 2008 Business Conditions and Business Results

Business activities in Japan and overseas were widely affected by higher plant construction costs accompanying increases in the price of steel and other raw materials; a slowdown in demand in the North American market triggered by the subprime loans problem in the second half of the fiscal year; and a sharp strengthening of the yen. On the other hand, positive factors included growing demand for automobiles and construction machinery in emerging markets, a favorable ship market, and burgeoning demand for environmental projects.

In response to those business conditions, the Company strove to build a balanced earnings portfolio. At the same time, we embarked on a bold strategy of expanding core businesses, developing new businesses—related to the environment, energy conservation, and other themes—and accelerating overseas business development. Also, we concentrated on cultivating and creating operating companies that are likely to contribute significantly to earnings.

In the fiscal year, gross trading profit passed the ¥100 billion milestone, rising ¥10.0 billion year on year, to ¥100.5 billion. That increase came from good automobile trade with emerging countries and higher ship trade and construction machinery trade, which counteracted the effect of recording gains from sales of marketable securities in the previous fiscal year. Net income was up ¥1.5 billion year on year, to ¥22.6 billion.

Fiscal 2008 Initiatives

In line with the key strategy of strengthening core businesses set out in Frontier+ 2008, the Company increased automobile trade with emerging markets and resource-rich countries, expanded ship businesses in a good ship market, and strengthened construction machinery businesses in resource-rich countries.

As part of efforts to develop new business areas, we continued to develop business areas related to the environment and energy conservation. We acquired a company that integrates solar power generation systems, SOLAR DEPOT, INC., of the United States. And, we decided to take part in an independent power producer business for geothermal generation in the Sarulla region of Indonesia. In addition, we strengthened initiatives with strategic partners, working with Isuzu Motors Limited to set on way of the management of Isuzu Network Co., Ltd., a new company established to strengthen domestic sales. In another initiative, we used an operational tie-up with Akebono Brake Industry Co., Ltd., for the establishment of a sales company in Japan that supplies brakes for industrial machinery and railway rolling stock.

In initiatives to accelerate overseas business development, we stepped up the pace of such overseas projects as an LPG plant for SONARTRACH, an Algerian state-controlled hydrocarbon products company. Further, orders from overseas ship owners for new ship construction were favorable on the back of an upbeat ship market. We increased automobile trade and construction machinery trade with overseas markets. In other overseas business development initiatives, the Company reached an agreement with Suzuki Motor Corporation to take a stake in a distributor of Suzuki automobiles in Malaysia.

Fiscal 2009 Initiatives

We will increase profit by investing in future sources of earnings, mainly in such business areas as automobiles, ships, construction machinery, the environment, energy conservation, such alternative energy sources as solar cells, the independent power producer business, water resources, transport, and infrastructure. Also, we will improve management efficiency even further by identifying and developing highly profitable business projects to build up a portfolio of high-quality assets.

Isuzu Motors Limited (Turkey) (Automobile Division)
Through a strategic partnership with Isuzu Motors Limited based on a capital tie-up, ITOCHU is stepping up collaborative overseas trading businesses and peripheral businesses—logistics, sales finance, used vehicles—in Japan and North America and such emerging markets as South Africa, Latin America, Turkey, Indonesia, and Vietnam.

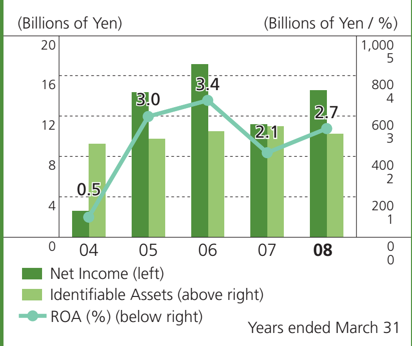
Commonwealth Chesapeake Power Station (the United States) (Plant & Project Division)
In the fiscal year ended March 2008, one of ITOCHU's North American affiliates, the independent power producer Tyr Energy, Inc., acquired the Commonwealth Chesapeake Power Station in the State of Virginia in the United States. Producing enough electricity to meet the needs of approximately 300,000 households, the power station delivers electric power to areas with heavy demand in the Eastern United States. We will continue to discover similarly profitable business projects.

Aerospace, Electronics & Multimedia Company

Building unshakable advantages in aerospace, IT solutions, and multi-channel media, we are growing core businesses, turning upfront investments into sources of profit, and developing new business areas.

Hiroo Inoue
President, Aerospace, Electronics & Multimedia Company

Net Income / Identifiable Assets / ROA



Business Overview and Competitive Advantages

The Aerospace, Electronics & Multimedia Company comprises the Aerospace & Electronic Systems Division, the IT & Business Solutions Division, and the Media Business Division. We have highly profitable businesses with strong growth potential in the areas of IT solutions, e-business, mobile phones, media content, and aerospace and electric systems. Also, we are developing businesses in life sciences, services, and other new areas.

In the aerospace and electronic systems business, we command large shares of the markets for sales of helicopters and compact jets, centered on the operations of ITOCHU AVIATION CO., LTD., JAPAN AEROSPACE CORPORATION, and EuroHeli Corporation. In addition, JAMCO Corporation manufactures and sells equipment for aircraft interiors, such as galleys and lavatory compartments. And, Shandong Hualing Electronics Co., Ltd., manufactures and sells components for printers and scanners.

In the IT solutions business, ITOCHU Techno-Solutions Corporation (CTC) boasts industry-leading profitability with its integrated highy value added business model, which involves system integration, sales, maintenance, and support and operation of advanced IT systems.

In the e-business, Excite Japan Co., Ltd., develops a wide range of operations, including the operation of a general portal site and an educational portal site, 52 School.com. Further, an ITOCHU Corporation team tasked with researching and using advanced Internet technology, T-Lab, is developing a Web 2.0 platform.

In the mobile business, we develop operations in a broad spectrum of areas. Our mainstay company is ITC NETWORKS CORPORATION, which has a strong track record in mobile handset distribution. Asurion Japan K.K. provides insurance services for mobile handset, while NANO Media Inc., provides mobile content and services.

Fiscal 2008 Business Conditions and Business Results

In the aerospace industry, although airlines continued to face tough business conditions due to high fuel prices, aircraft manufacturers and manufacturers of equipment for aircraft interiors enjoyed steady orders as airlines introduced fuel-efficient aircraft.

The IT solutions industry saw higher demand for information technology as companies stepped-up investment in information systems to establish internal controls compliant with Japan's new Corporate Law and the Japanese version of the Sarbanes-Oxley Act. Meanwhile, the time taken to record revenues lengthened due to increasingly advanced and complex IT solutions projects.

In the mobile industry, the market for mobile handsets performed solidly due to the introduction of installment sales for handsets and other new sales formats. Also, the demand rose for mobile insurance and warranty services because of increasing handset prices.

In the media content industry, while the market for multi-channel pay broadcasting flattened, the market for video distribution services based on broadband grew due to the expansion of optical cable networks in Japan.

In the fiscal year, gross trading profit was up ¥5.4 billion year on year, to ¥139.0 billion, due mainly to favorable performances by mobile handset distribution and IT solutions. Net income rose ¥3.4 billion year on year, to ¥14.6 billion, as a result of an increase in gain on sales of investment securities.

Fiscal 2008 Initiatives

Reflecting Frontier+ 2008's emphasis on strengthening core businesses as a key strategy, we expanded our earnings base by taking steps to accelerate growth. In aerospace and electronic systems, such initiatives included the assumption of preferred stock from Japan Airlines and raising our investment ratio for JAMCO Corporation, a manufacturer of equipment for aircraft interiors. And, in the mobile business related initiatives included the absorption of Idomco Communications Co., Ltd., by ITC NETWORKS CORPORATION.

Regarding initiatives to turn upfront investments into sources of profit, in the mobile business, Asurion Japan K.K. spread its insurance services for mobile handset, using changes in mobile handset sales formats as a tailwind. In addition, we restructured the foundations of media and content operations by integrating On Demand TV, Inc., which provides video-on-demand distribution services, with NTT Plala Inc. Also, in services ACRONET Corp., which conducts clinical trials, steadily produced successful results and expanded its earnings platform.

Fiscal 2009 Initiatives

In fiscal 2009, the final year of the Frontier+ 2008 mid-term management plan, we will concentrate management resources on strengthening core businesses and developing new business areas. Specifically, we will increase the earning power of such core operating companies as ITOCHU Techno-Solutions Corporation and ITC NETWORKS CORPORATION. Also, we will turn upfront investments into sources of profit by developing CSO operations—which sales and marketing services based on agreements with pharmaceutical companies—and providing insurance services for mobile handset. Meanwhile, we will develop new businesses through investment in new aerospace related areas and the overseas roll-out of content originating in Japan.

Through the above-mentioned initiatives, the Company will establish leading positions in its target industries.

Asurion Japan K.K. (Media Business Division)
ITOCHU's affiliate Asurion Japan K.K. provides insurance and warranty services for mobile phones, which NTT DoCoMo has adopted as a benefit for users of its newly launched mobile phone handset model (value course). We expect to see a dramatic increase in policyholders as a result of that initiative.

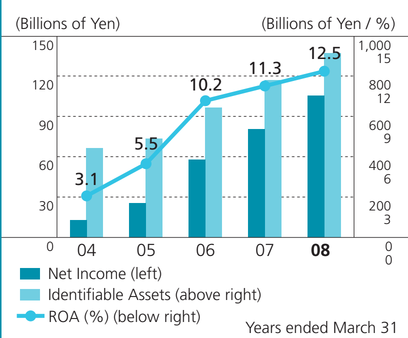
JAMCO Corporation (Aerospace & Electronic Systems Division) (photograph: suite-class console for the new Airbus A380 aircraft of Singapore Airlines)
Aiming to strengthen our businesses in the civil aviation area, we acquired shares of JAMCO Corporation from Japan Airlines International Co., Ltd., in September 2007. Having concluded an exclusive contract with Boeing for the supply of aircraft interior equipment—galleys, lavatory compartments, and cockpit consoles—for the next-generation medium-sized Boeing 787 aircraft, slated for launch in 2009, JAMCO Corporation promises further growth centered on aircraft interior equipment.

Energy, Metals & Minerals Company

Looking ahead to the future, the company has high hopes for developing new energy products and services, including solar energy, bioethanol, and dimethyl ether.

Yoichi Kobayashi
President, Energy, Metals & Minerals Company

Net Income / Identifiable Assets / ROA



Business Overview and Competitive Advantages

The Energy, Metals & Minerals Company is a world leader in identifying and acquiring highly profitable projects in priority business areas such as: energy resource development, mineral resources, and coal. Here at ITOCHU, we work to maximize earnings by developing trading strategies designed to create value chains rooted in independently developed resources.

In the mineral resources and coal segments, we independently develop resources through projects like iron ore mining and alumina refining in Australia, and coal mining in Australia and Indonesia. In conjunction with these projects, out company designs trading schemes to create synergy benefits that maximize earnings. In the energy trading and energy resource development businesses, equity interests in crude oil and gas projects are acquired through independent development projects, including crude oil development in Azerbaijan, the British North Sea, Sakhalin, Australia, and North America; LNG projects in Oman and Qatar; and natural gas projects in North America.

At the same time, our company is working to expand global trading channels for a range of energy products. Furthermore, we are working hard to develop environmental businesses, such as greenhouse gas emission credits trading and developing clean alternative energies that reduce environmental impacts, such as solar power, dimethyl ether, and bio-ethanol. In the steel products business our core operating company, Marubeni- Itochu Steel Inc., not only processes and sells steel products but also provides clients with solutions and upgrading services through a network of more than 100 companies located throughout Japan and overseas.

Our strength lies in combining a business portfolio that is extremely well balanced in terms of product lineups and regional coverage, with industry-leading asset efficiency, which results from diligent investing in strictly highly profitable ventures. Furthermore, having leading trading companies such as ITOCHU Petroleum Japan Ltd. and ITOCHU ENEX CO., LTD., positioned mid-stream in our value chain allows us to maximize value added for a host of our products and services.

Fiscal 2008 Business Conditions and Business Results

In light of fiscal 2008 business conditions amid rapid economic development in Brazil, Russia, India, and China, overall demand remained strong for ITOCHU energy products like crude oil, iron ore, coal, and other mineral resources. At the same time, growing awareness of environmental issues around the globe has generated new profit-earning opportunities in areas for new energy development and conservation. Meanwhile, negative business factors over the same period include a downturn in domestic demand in the United States triggered due to issues with subprime mortgage loans, as well as a decrease in investment opportunities and higher equity interest acquisition costs and production costs related to hikes in prices for natural resource. In the fiscal year, the Company saw revenues and earnings both rise. Gross trading profit rose ¥25.4 billion year on year, to ¥127.5 billion, mainly as a result of higher sales volumes due to an increase in the production volumes of company owned oil fields and rising crude oil prices. Net income was up ¥25.0 billion year on year, to ¥105.7 billion, because of the increase in gross trading profit and a gain on the disposal of several coal mining interests.

Fiscal 2008 Initiatives

Under the goals outlined by our corporate strategy, Frontier+ 2008's, designed to strengthen ITOCHU's core business operations, we stepped up investment in profitable natural resource projects; acquired equity interests in new natural resource projects; and expanded trading businesses through several strategic mergers and acquisitions. In the mineral resources businesses, we expanded our supply of iron ore mainly through the ITOCHU interest in the Mount Newman mine in Western Australia. We also found several investment opportunities to expand into other coal mining projects in Australia. In the energy resource development businesses, we acquired an equity interest in the Entrada oil and gas field in the Gulf of Mexico and we acquired an equity interest in a production and development concession off the coast of Victoria, in southeast Australia. In the energy trading business, we positioned ITOCHU ENEX CO., LTD., as the central entity responsible for domestic sales of kerosene and light oil, importing and exporting of petroleum products, and tanker operations.

In addition, we increased the efficiency of energy trading businesses by expanding the distribution operations for petroleum products and LPG businesses, and started looking into establishing a joint wholesale company involving Japan Energy Corporation, Nissho Petroleum Gas Corporation, and ITOCHU ENEX CO., LTD. At the same time, we began strengthening LPG operations through a collaborative effort involving the retail divisions of these three companies. In an effort to develop new business areas, we strengthened initiatives to develop new energy by increasing our investment in NorSun AS, a Norwegian company that produces silicon wafers for solar cells. We also made strides establishing a business for bio-ethanol production in Brazil. Lastly, we launched projects to develop platinum and other rare metals.

To accelerate overseas business development, we developed and bolstered overseas personnel while deploying personnel with a view to increasing the earnings of overseas operations.

Fiscal 2009 Initiatives

Our fiscal 2009 initiatives call for accumulating equity interests by stepping up the pace of investment in new projects and steadily expanding into highly profitable natural resource projects. In tandem with these efforts, following an acquisition of equity interest in natural gas operations in the United States, we plan on developing new business partnerships designed to expand the trading business and reinforce our core businesses. Regarding new energy development, we intend on becoming more involved in the production of silicon for solar cells by building a value chain spanning across upstream through downstream operations. In bio-ethanol projects, we will accelerate initiatives with local partners in Brazil to establish commercial operations. Additionally, the company is working to further develop our business of emission credits trading.

Mt. Whaleback Iron Ore Mine
(Metals, Mineral Resources & Coal Division)
ITOCHU has three iron ore mining joint ventures in Western Australia. Presently, we are undertaking expansion work (RGP4) that will boost annual shipping capacity to 155 million tons by 2010. Furthermore, we have decided to make an upfront investment for expansion work (RGP5) that will raise annual shipping capacity to 200 million tons during 2011.

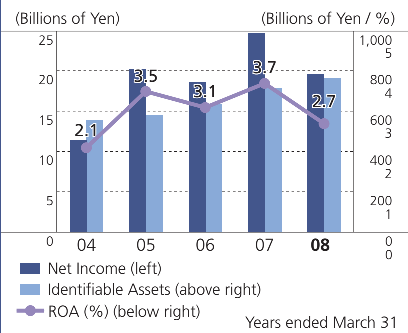
Solar power generation
(Metals, Mineral Resources & Coal Division)
In the solar power generation business area, ITOCHU will continue stepping up initiatives to build a comprehensive production and supply value chain from upstream to downstream areas. Building on our stake in NorSun AS, a Norwegian producer of silicon wafers for solar cells, we decided to take a stake in Scatec Solar AS, a fellow subsidiary of NorSun AS that integrates solar power generation systems.

Chemicals, Forest Products & General Merchandise Company

In a wide variety of industries, we have built integrated value chains linking upstream raw materials businesses to downstream retailing businesses. Within those value chains, we cultivate businesses to reflect customer needs. At the same time, we are also developing new business areas that include pharmaceuticals, the environment, and new energy.

Koji Takayanagi
President, Chemicals, Forest Products & General Merchandise Company

Net Income / Identifiable Assets / ROA



Business Overview and Competitive Advantages

The Chemicals, Forest Products & General Merchandise Company has two divisions: the Forest Products & General Merchandise Division, which supplies an extensive lineup of materials, including, building materials, pulp, paper, rubber, and tires, and the Chemicals Division, which carries basic chemicals, synthetic resins, synthetic fiber raw materials, electronic materials, and pharmaceuticals.

The Forest Products & General Merchandise Division is building and expanding value chains themed on "the home and living." In the building materials business area, we have a powerful group of companies in North America, centered on PrimeSource Building Products, Inc., and in Japan ITOCHU Kenzai Corp., and other companies form a formidable network. In pulp and paper businesses, we have a broad value chain that stretches from overseas forest plantation businesses in Australia and other region and the environment-friendly pulp production of Celulose Nipo-Brasileira S.A., which only uses lumber from plantations, through to the paper sales business of ITOCHU Pulp & Paper Corp. Similarly, our rubber and tire businesses form an extensive value chain, which encompasses the largest natural rubber procurement and processing business among general trading companies and the wholesale and retail of tires in Japan, the United States, and Europe.

The Chemicals Division's basic strategy is to develop a broad portfolio spanning upstream and downstream in chemical products businesses while accumulating high-quality assets in each business area. Consequently, the division carries a wide lineup of competitive products, from basic chemicals through to synthetic resins, electronic materials, and raw materials for pharmaceuticals. While exploiting our global network to grow trade in those lineups, we are pursuing such far-sighted initiatives as manufacturing methanol in Brunei and investing in synthetic fiber raw materials businesses in China. Thanks to the earning power of a group of companies that includes ITOCHU CHEMICAL FRONTIER Corporation and ITOCHU PLASTICS INC., that ensure our top profitability among trading companies.

Fiscal 2008 Business Conditions and Business Results

The North American housing market slowed down rapidly due to the subprime loans problem, while the Japanese housing market was sluggish due to the enforcement of a revision to the Building Standard Law in Japan. Further, upwardly trending crude oil prices and local currency appreciation led to higher production costs, which curbed earnings. Meanwhile, favorable factors were heavier demand for chemical products in Asia; stable, high prices in markets for chemical products due to high crude oil prices; and growing demand for tires and synthetic resins, spurred by the motorization of emerging nations.

In fiscal 2008, mainly due to weaker demand for building materials in the United States and Japan, gross trading profit decreased ¥3.5 billion year on year, to ¥122.6 billion, and net income declined ¥5.1 billion year on year, to ¥19.7 billion.

Fiscal 2008 Initiatives

As part of initiatives under Frontier+ 2008's key strategy of developing new business areas, we concentrated on fostering operations in the environment-related, and life and healthcare business areas. In environment-related businesses, we developed benthic zone purification operations based on an agreement with Shimane Prefectural authorities and general forest plantation business. Also, we considered participation in bio-ethanol operations. In life and healthcare businesses, we invested in pharmaceutical wholesale operations in China to strengthen pharmaceutical businesses.

In efforts to accelerate overseas business development, we strengthened building materials businesses in North America through a range of measures that include such mergers and acquisitions as the acquisition of U.S. flooring materials wholesaler Galleher Corporation. In the natural rubber processing business area, we raised the production capacity of our rubber-processing company. In tire businesses, we developed downstream businesses in Russia. Further, we acquired Sumika Polymer Compounds Europe Limited to strengthen our operational foundations in Europe for automotive plastic compounds. Also, in India we entered the growing market for plastic shopping bags by taking a stake in the country's largest manufacturer of these products. In China, the purified telephthalic acid (PTA) plant of Ningbo Mitsubishi Chemical Co., Ltd., started up operations, lifting our handling volume for PTA to one million tons. In methanol production operations in Brunei, we concluded an agreement with Brunei Shell Petroleum Company Sdn Bhd for the supply of natural gas, the raw material for methanol, and we are targeting the start-up of commercial operations in 2010.

To strengthen core businesses, we achieved a stable earnings structure through portfolio management. We expanded exporting, tripartite trading, and businesses in overseas local markets mainly for general chemical products, tires, and pulp. Further, we buttressed the earning power of core operating companies in chemicals products, such as ITOCHU PLASTICS INC. and ITOCHU CHEMICAL FRONTIER Corporation. At the same time, we advanced upstream projects for chemical products and petrochemicals, primarily in the Middle East.

Fiscal 2009 Initiatives

In effforts to strengthen core businesses, we will implement the following initiatives: advancing growth strategies for operating companies and increasing net income from subsidiaries and associated companies; pursuing growth strategies for building materials businesses in North America that includes mergers and acquisitions; expanding pulp trading worldwide; further strengthening our global sales network and boosting the earning power of tire businesses; moving forward with business investment and securing earnings for large-scale petrochemical businesses; and strengthening overseas operations and expanding trade in synthetic resins businesses. In initiatives to open up new business areas, we will fortify medical care related businesses and develop environment and new energy related businesses.

PrimeSource Building Products, Inc. (Forest Products & General Merchandise Division)
PrimeSource Building Products, Inc., is one of the leading wholesalers of screws and nails in the United States. Through 35 logistics centers in the United States and Canada, the company sells building materials mainly to major home improvement centers and has approximately 1,000 employees.

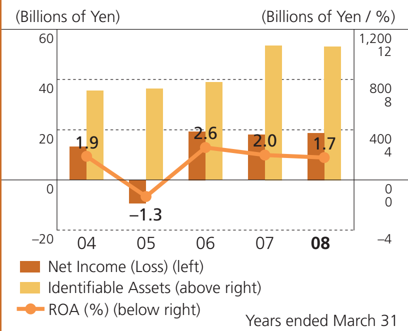
Brunei Darussalam Methanol Project (Chemicals Division)
We concluded a contract for the supply of natural gas in April 2007 and broke ground for the plant construction at the beginning of 2008. Preparations toward the start-up of commercial operations, with an annual production of 850,000 tons, in the first half of 2010 are progressing steadily.

Food Company

Setting our sights on becoming the leading company in the world's food industry, we will move forward globally with a Strategic Integrated System (SIS) strategy covering all food business areas—from food resource development and raw materials supply through to food processing, distribution, and retailing.

Shigeharu Tanaka
President, Food Company

Net Income (Loss) / Identifiable Assets / ROA



Business Overview and Competitive Advantages

Our goal is to build a commanding position in the global food industry while strengthening food safety controls to heighten trust. The Food Company is focusing on two key initiatives: strengthening and expanding operational foundations in Japan and increasing overseas earnings. Our basic strategy is to develop a Strategic Integrated System (SIS), which achieves efficient, customer-driven production, distribution, and sales by vertically integrating upstream food resource development and processing, midstream distribution, and downstream retail sales. From upstream through to downstream, major operating companies are laying solid foundations for the Company's SIS.

In food resources businesses, we are strengthening and expanding our sales network by leveraging existing supply bases in North America, Asia, Australia, and Latin America and collaborating closely with retail businesses. At the same time, we are developing food resources supply bases overseas, such as the grain-handling operations of CGB Enterprise, Inc., in North America.

In food production and processing businesses, in Japan we are expanding operations centered on ITOCHU Sugar Co., Ltd., and ITOCHU Feed Mills Co., Ltd. Meanwhile, overseas we take advantage of strategic tie-ups to expand operations. In China, we are developing tie-ups with in nonalcoholic beverages production businesses with ASAHI BREWERIES, LTD., and Ting Hsin International Group. In Indonesia, we have a partnership for canned marine products with Hagoromo Foods Corporation.

In food distribution businesses, ITOCHU SHOKUHIN Co., Ltd., and NIPPON ACCESS, INC., operate the largest wholesale network in Japan. Another mainstay is our distribution of fresh food and food for the restaurant industry through ITOCHU FRESH Corporation and Universal Food Co., Ltd.

In food retail businesses, we are building systems centered on FamilyMart Co., Ltd., and YOSHINOYA HOLDINGS Co., Ltd., that rapidly communicate to midstream and upstream operations customers needs—the driver of our SIS strategy. Also, we are developing an operational tie-up with UNY Co., Ltd.

Fiscal 2008 Business Conditions and Business Results

During fiscal 2008, a series of incidents involving false labels and expiration dates and problems with food produced in China significantly undermined consumer confidence in food safety. Further, reorganization of the food industry gathered momentum as competition became fiercer amid shrinking demand and oversupply associated with the aging of Japan's population. Furthermore, inflation in upstream raw material and fuel prices and deflation in downstream consumer prices continued. On the other hand, consumer spending trends were solid in China and Russia.

In fiscal 2008, gross trading profit increased ¥60.0 billion, to ¥324.7 billion, mainly because of the full-year inclusion of NIPPON ACCESS, INC. in consolidation; measures to strengthen the earning power of domestic operating companies in the food distribution business area; and an increase in overseas earnings centered on food resources businesses. Net income rose ¥0.6 billion year on year, to ¥18.7 billion, principally as a result of higher earnings from overseas food resources businesses and food distribution businesses, offsetting impairment losses due to a drop in Japan's stock market prices and impairment losses on the fixed assets and investment securities of certain operating companies.

Fiscal 2008 Initiatives

The Company's efforts guided by Frontier+ 2008's key strategies of developing new business areas, accelerating overseas business development, and strengthening core businesses focused on continuing the SIS strategy in Japan and in businesses that export to Japan while accelerating implementation of the SIS strategy globally.

In SIS initiatives in Japan and in businesses exporting to Japan, we completed the integration of NIPPON ACCESS, INC., and Nishino Trading Co., Ltd., to establish Japan's largest nationwide distribution network able to handle products in all temperature ranges. For home-meal replacement and prepared food businesses, which have seen conspicuous market expansion, we strengthened food distribution and retail businesses through the acquisition of shares of Kanemi Foods Co., Ltd. As part of our operational tie-up with the UNY Group, we launched the *Body Smile Project*, which involves bringing together manufacturers, distributors, and retailers to develop high-value-added products and realize sales beyond the traditional confines of the retail industry. In response to increased demand for livestock and aquaculture feed, we acquired the functional feed supplements division of BASF Japan Ltd., and in December 2007 we established Japan Nutrition Co., Ltd., to assume the production and sale of functional feed. We also established a company to wholesale and market Japanese agricultural produce, I Square Co., Ltd., which sought to increase the production and sales of Japanese fruit and vegetables through an operational tie-up with Japan Brand Agricultural Corporation.

In global SIS initiatives, we increased earnings from the nonalcoholic beverages production businesses in China. In addition, CGB Enterprises, Inc., of North America, strengthened our grain-handling operations in the United States by acquiring two grain-handling companies in the Midwest's corn belt. Further, we established a leading-edge livestock processing plant in Thailand to bolster and expand livestock processing operations in the country.

Fiscal 2009 Initiatives

To become the food industry's foremost company, we will increase the pace of our global SIS strategy and our SIS strategy in Japan and in businesses exporting to Japan. Further, we will take steps to create and generate earnings from high-value-added businesses. Moreover, we will reform Group management structures and build an unshakable earnings base. Also, we will focus on advancing a global personnel strategy, reinforcing risk management, realizing stringent compliance, and ensuring food safety and reliability.

Thai Best Packer Co., Ltd. (Fresh Food & Food Business Solutions Division)
In order to secure food resources and avoid risks associated with concentrating production in certain regions, in Thailand ITOCHU and its associated company Prima Meat Packers, Ltd., jointly established one of the largest and most technologically advanced food-processing plants in Asia. The new plant has received approval from Japan's Ministry of Agriculture, Forestry and Fisheries for processing poultry and livestock. Reflecting the technological expertise garnered from plants in Japan and overseas, the plant features the very latest equipment and a layout that ensures stringent safety and reliability.

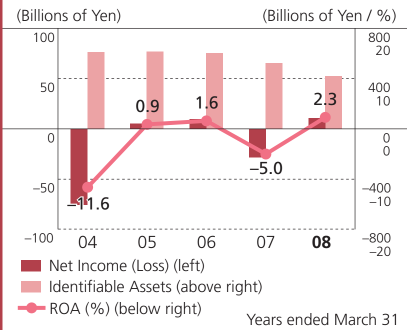
CGB ENTERPRISES, INC. (Provisions Division)
Our associated company CGB ENTERPRISES, INC., achieves stable grain collection and supply through 60 grain elevators scattered across the American Midwest and barge operations. The company builds strong relationships of trust with farmers by providing peripheral agricultural services. Further, it conducts logistics operations that make effective use of its collection bases.

Finance, Realty, Insurance & Logistics Services Company

We aim to grow earnings by providing highly innovative services that cater to current needs by exploiting the strong positions of our three divisions in their industries and our comprehensive capabilities as a general trading company.

Kenji Okada
President, Finance, Realty, Insurance & Logistics Services Company

Net Income (Loss) / Identifiable Assets / ROA



Business Overview and Competitive Advantages

The Finance, Realty, Insurance & Logistics Services Company consists of the Financial & Insurance Services Division, the Construction & Realty Division, and the Logistics Services Division. We are increasing earnings mainly through core operating companies. Those efforts focus on strengthening funds and securitization businesses, retail businesses for consumers, and overseas businesses to realize growth.

In the Financial & Insurance Services Division, our financial services operations take full advantage of long experience and an extensive track record and the distinctive capabilities of a general trading company to develop three business areas: services in financial markets, corporate solutions, and retail finance. Centered on insurance agency and brokerage, our insurance businesses draw on networks in Japan and overseas to offer extensive services ranging from reinsurance through to intermediation. The Construction & Realty Division harnesses our strength as a general trading company to pursue a broad range of businesses, including real estate securitization, real estate operations for the development of condominiums, consulting, intermediation, private finance initiative projects, and materials and equipment provision. The Logistics Services Division centers on domestic and global logistics solutions and logistics infrastructure businesses. In China, we provide one-stop services covering the whole of China by connecting domestic and international logistics. The division's core operating company i-LOGISITICS CORP. generates higher revenues than any other general trading company logistics business.

Fiscal 2008 Business Conditions and Business Results

In the fiscal year, business conditions changed significantly, and there continued to be few grounds for optimism. Although favorable factors included a widening participant base in the markets for investment funds and real estate securitization as well as increasing demand for international logistics centered on emerging nations, negative factors were tighter credit conditions triggered by the subprime loans problem in the United States and the effect of a revision to Japan's Money Lending Business Law.

In the fiscal year, gross trading profit declined ¥1.9 billion, to ¥41.4 billion, due to such factors as the recording of devaluation and disposal losses resulting form a change in sales strategy for long-term real estate development projects. Thanks to a marked improvement in the performance of financial services operations, the Company posted net income of ¥10.8 billion, compared with a net loss of ¥28.3 billion in the previous fiscal year.

Fiscal 2008 Initiatives

In accordance with the key strategies of Frontier+ 2008, we fortified the funds and securitization businesses, retail businesses for consumers, and overseas businesses.

In funds and securitization businesses, development initiatives concentrated on private equity businesses and real estate securitization businesses. We grew earnings from private equity businesses through overseas initiatives that included the China Mezzanine Finance Fund. In real estate securitization businesses, we strengthened collaboration with the rental residence J-REIT Advance Residence Investment Corporation, for which we are the main sponsor. At the same time, we dispersed our business portfolio by expanding initiatives in such other areas as commercial facilities and offices. Overseas, we further cemented our relationship with Mapletree Investments Pte. Ltd. by expanding and lengthening of our operational tie-up to achieve mutual growth.

Regarding retail businesses for consumers, we adapted retail finance businesses to reflect changes in the retail finance market caused by the revision to Japan's Money Lending Business Law. Those changes significantly affected Orient Corporation, which implemented countermeasures that improved management to a certain extent. Furthermore, Famima Credit Corporation accepted investment from Culture Convenience Club Co., Ltd., and began issuing a new credit card, Famima T Card. In other initiatives, we established a bridgehead from which to target demand for personal financial assets services by taking a stake in an investment consulting company in Japan. In the insurance business, we developed products that match market demand and used the Group's wide-ranging sales channels to increase sales.

In overseas businesses, we identified Asia and China as priority regions and completed a new round of personnel deployment. At the same time, we increased earnings through initiatives in private equity businesses, construction and realty businesses, insurance intermediation and reinsurance businesses, and logistics businesses in Brazil, Russia, India, and China.

In initiatives other than the abovementioned priority measures, we strove to strengthen risk assumption businesses in the insurance and logistics areas. To that end, we expanded reinsurance businesses and increased the joint operation of ships with major overseas partners that have a long tradition in ship businesses.

Fiscal 2009 Initiatives

In the financial services area, the Financial & Insurance Services Division will concentrate on the following initiatives: strengthening funds and securitization businesses focusing on private equity businesses; rebuilding loan-related businesses; strengthening the functions and earning power and rebuilding overseas bases of financial-market services businesses; advancing strategies in credit card operations and strategies with business partners in retail finance businesses; furthering measures in underwriting operations of insurance businesses; and increasing earning power by furthering tie-ups between marine insurance, overseas insurance, and trade insurance businesses and brokers with which we have alliances.

To create operational structures that reduce the effect of fluctuations in real estate markets, the Construction & Realty Division will increase earnings from real estate securitization businesses, strengthen new business areas, and disperse our business portfolio while strengthening overseas businesses and developing new business areas.

The Logistics Division will leverage our advantages as a general trading company to develop integrated value chains in logistics, with particular emphasis on automobile-related logistics. Meanwhile, we will launch cross-divisional initiatives to move projects forward, particularly overseas logistics projects. Further, in ship businesses we will deepen our involvement in structured logistics businesses such as the joint operation of ships.

Famima T Card
(Financial & Insurance Services Division)
In collaboration with FamilyMart Co., Ltd., ITOCHU is developing credit card operations through Famima Credit Corporation. From November 2007, Famima Credit Corporation began issuing the Famima T Card, which introduced a common point program (T point) for differing industries.

i-LOGISTICS CORP. (Logistics Services Division)
(photograph: Itabashi Warehouse)
The core operating company of the Logistics Services Division, i-LOGISTICS CORP., is a comprehensive international logistics services provider with operations covering international forwarding services through to the operation of logistics centers.

Headquarters

ITOCHU's Division Company System heightens management flexibility. Another feature of ITOCHU is its company-wide executive positions in respective areas to oversee cross-divisional functions, which include division companies operation, corporate planning, administration, and overseas operations.

Division Companies Operations

Chief Operating Officer, Division Companies Operations **Akira Yokota**

Reporting directly to the Chief Operating Officer, the Healthcare Business Department, the Innovative Technology Business Development Office, and the Corporate Development Office implement integrated cross-divisional initiatives to maximize ITOCHU's overall earnings, as outlined in Frontier+ 2008.

In the development of new business areas, Frontier+ 2008 gives priority to L-I-N-E-s business areas as future earnings mainstays. Those priority business areas are: Life & Healthcare, or medical and health-related businesses; Infrastructure, or functional infrastructure (IT/LT/FT) and social infrastructure-related businesses; New Technologies & Materials, or such advanced technologies as biotechnology and nanotechnology; and Environment & New Energy. We mobilize the collective resources of division companies to move forward with company-wide initiatives to build own earnings structure that will enable strong continuous growth.

Healthcare Business Department

In the Life & Healthcare business area, which will likely expand as society ages, this department creates new businesses and markets while advancing joint business projects between division companies from development and operation through to the achievement of profitability.

The department's strategy is to pursue mergers and acquisitions and start up new businesses in a wide area of businesses encompassing such upstream areas as the production of pharmaceuticals and medical equipment and materials through to such downstream areas as hospitals and dispensing pharmacies.

Further, the subsidiaries that the department manages include Century Medical, Inc., which wholesales medical equipment and materials.

Helping Increase Survival Rates by Spreading AED

ITOCHU is contributing to higher survival rates through the spread of automated external defibrillators (AED) based on an operational alliance agreement for sales concluded with Philips Electronics Japan, Ltd., which is one of the leading manufacturers of AED.

AED installed on first floor of Tokyo Headquarters

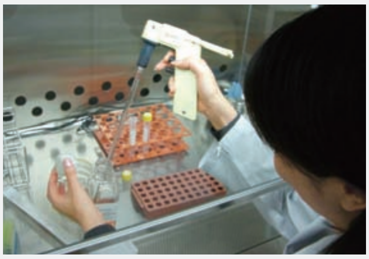
Division Companies

Innovative Technology Business Development Office

In such leading-edge technology business areas as biotechnology and nanotechnology, this department pioneers and develops new businesses that will become future earnings mainstays by matching technology seeds with market demand. We unearth technology seeds based on strategic tie-ups with research organizations in Japan and overseas. Moreover, we stake claims on promising leading-edge technology seeds by investing in venture companies. And, we incubate business projects through joint development and marketing. As they become commercially viable, we steadily transfer them to division companies.

Entering the Regenerative Medicine Business Area

ITOCHU concluded a capital and operational tie-up with ReproCELL Incorporated, which is at the forefront of stem cell (embryonic stem cell) technology. ITOCHU will collaborate with ReproCELL in expanding operations in Japan and overseas. At the same time, with a view to developing businesses in the areas of regenerative medicine and cell therapy, we will support ReproCELL's technology development.



Cell experiment at ReproCELL's Shirokane Laboratory

Corporate Development Office

This office develops cross-divisional projects and provides marketing support to establish new business opportunities in such strategic business areas as Environment & New Energy, Infrastructure, and Consumer-Related. As part of its initiatives, the office promotes regional businesses under the themes of leading-edge technology and regional development through collaborative agreements concluded with local governments. Furthermore, the office promotes businesses for small and medium-sized companies through its fund. Also, as the secretariat of the Company-Wide Business Committee, the office undertakes a broad range of cross-divisional initiatives focusing on L-I-N-E-s business areas that include coordination with division companies to promote mergers and acquisitions.

Local Government Collaboration

Tracing its roots to Shiga Prefecture, ITOCHU concluded a collaborative agreement focusing on leading-edge technology business areas with Shiga prefectural authorities in October 2007. The main aims of that initiative are to exploit ITOCHU's expertise in leading-edge technology business areas to create new businesses and to support the research, product development, and marketing activities of Shiga Prefecture's small and medium-sized companies, venture companies, and science and engineering universities in leading-edge technology areas.

Yukiko Kada, governor of Shiga Prefecture, and Eizo Kobayashi, ITOCHU's president and CEO, announce alliance

Division Companies

Corporate Planning

Chief Corporate Planning Officer **Satoshi Kikuchi**

Under the authority of the Chief Corporate Planning Officer, the Corporate Planning & Administration Division, the Affiliate Administration Division, the Corporate Communications Division, the IT Planning Division, the Investigation Division, and the Investor Relations Department primarily prepare company-wide management plans and advance and support company-wide strategies. Those divisions and department work closely with Headquarters divisions and all divisions companies to drive ITOCHU's global strategies forward. Through those efforts, we aim to achieve the goals of Frontier+ 2008—developing new business areas, strengthening core businesses, pursuing human resources strategy from a global perspective, strengthening our financial position, evolving risk management, and developing and strengthening management systems.

Preparing and Advancing Company-wide Management Plans

The Corporate Planning & Administration Division acts as the "control tower" of the entire ITOCHU Group. It mainly prepares company-wide management plans and issues directives and guidance to the planning and coordinating departments of division companies for the implementation of strategies. Further, the Division allocates management resources, follows the progress of plans, evaluates business results, and coordinates and monitors Group business strategies.

Supporting the Advancement of Strategies

The Corporate Communications Division and the Investor Relations Department laterally support company-wide strategies through a variety of communications inside and outside the Group. The IT Planning Division supports ITOCHU's global development by preparing IT strategies and building IT infrastructure. Also, the Affiliate Administration Division provides support on a more practical level for the advancement of strategies by operating companies in Japan and overseas and division companies.

Administration

Chief Administration Officer **Kouhei Watanabe**

Eight divisions report to the Chief Administration Officer: the Finance Division, the General Accounting Control Division, the Business Accounting & Control Division, the Risk Management Division, the Human Resources Division, the Legal Division, the General Affairs Division, and the CSR & Compliance Division

Each division is responsible for advancing specific initiatives, which include strengthening financial strategies and risk management, strengthening internal control, furthering corporate social responsibility, reinforcing compliance systems, and pursuing global personnel strategies.

Strengthening Financial Strategies and Risk Management

Initiatives to the further raise the Company's credit rating by improving key financial indicators and strengthen management systems that support Group management strategies center on the Finance Division and the General Accounting Control Division.

Further, the Risk Management Division is mainly responsible for managing risk generally and separately and upgrading such management. Accordingly, the Division develops systems and methods required to manage a variety of risks, including market risk, credit risk, and investment risk.

Bolstering Internal Control, Corporate Social Responsibility, and Compliance

The Disclosure Committee takes a leading role in efforts to develop the Group's overall internal control. The Committee examines and prepares proposals for internal control policies and measures relating to the disclosure of financial reports and other information. Also, it checks the accuracy of financial reports other reports that the Company issues. In addition, the CSR & Compliance Division is principally responsible for realizing proactive corporate social responsibility activities and further improving compliance systems. Accordingly, the Division furthers understanding outside the Company of ITOCHU's corporate social responsibility activities and efforts to strengthen compliance while advancing these initiatives throughout the Company.

Pursuing Global Human Resource Strategies

Through global human resource strategies, we aim to optimize the entire Group on a worldwide basis. In order to advance businesses in countries worldwide, we are strengthening the Group's overall personnel primarily through the Global Talent Enhancement Center of the Human Resources Division, which organically links four overseas Global Talent Enhancement Centers with division companies and overseas personnel strategies.

Overseas Operations

Chief Operating Officer, Overseas Operations **Toshihito Tamba**

To achieve the goal set out in Frontier+ 2008 of becoming a *truly global enterprise* that generates earnings worldwide, we are accelerating overseas business development as a priority measure. In order to strengthen systems for the advancement of overseas business development, ITOCHU established the position of Chief Operating Officer for Overseas Operations in April 2008. Tasked with further increasing overseas earnings centered on priority regions, the Chief Operating Officer for Overseas Operations will lead and direct the representatives of overseas regions while exercising overall control of overseas strategies for markets and products.

Strengthening Support Systems for Overseas Business Development

We positioned the International Operations Division, which previously reported to the Chief Corporate Planning Officer, directly under the control of the Chief Operating Officer for Overseas Operations. Centered on that officer, the Group is strengthening internal systems that advance the realization of large strategic business projects overseas and stepping up the pace of the resulting initiatives. In addition to its previous roles of supporting and exercising overall control of overseas offices, the new International Operations Division supports division companies in relation to large overseas business projects.

Significant Measures in Priority Regions

Mainly through the Chief Operating Officer for Overseas Operations, we will support the efforts of division companies to strengthen and expand existing businesses and achieve concrete results from business investment projects in North America, China and Asia, the priority regions that Frontier+ 2008 identifies. Further, ITOCHU will also concentrate efforts on resource-rich countries with growing economies and countries in which it has marked competitive advantages to move forward more rapidly with initiatives in such countries.

Supporting Global Human Resources Strategies

In order to put into practice the human resources strategy of seeking, fostering, and fully drawing on the talents of personnel worldwide as set out in Frontier+ 2008, the International Operations Division will collaborate with the Human Resources Division and overseas bases to support the development of global human resources.