Review of Operations

The seven Division Companies of ITOCHU's business organization exercise vertical comprehensive strengths in their respective business areas, while the Headquarters enhances lateral comprehensive strengths by providing lateral functionality. This unique management system allows the ITOCHU Group to utilize its comprehensive strength.

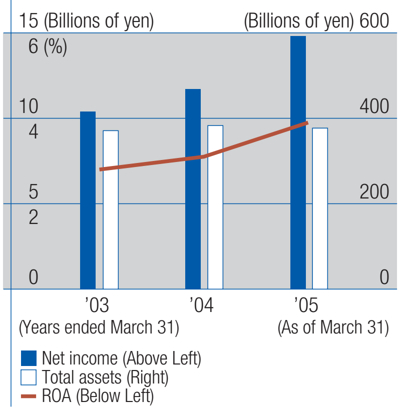
Masahiro Okafuji
President, Textile Company

Textile Company

The Textile Company records profits far in excess of other general trading companies in the area of textiles, with its gross trading profit more than four times that of the next leading general trading company.

The Textile Company's strengths include: (1) a high capability to develop and commercialize products of advanced materials; (2) integrated business development ranging from product development and procurement, to planning, manufacturing, and distribution (vertical integration); (3) global expansion including third-country transactions (including market penetration in China before any other trading company; and (4) strong marketing power for our brand business.

Financial Highlights



Business Performance and Priority Policies in Fiscal Year 2005

Business conditions in the domestic market remained challenging in fiscal year 2005. Clothing sales declined 6% for department stores and 8% for other volume retailers.

Despite difficult circumstances, we developed new businesses based on a consumer-oriented marketing strategy, characterized by: (1) the acquisition of new brands such as LA PERLA and HEAD; (2) the launch of a new brand business, renoma PARIS, in China; (3) the acquisition of many new business contracts in the uniform industry; and (4) the expansion of applications of advanced materials including high quality Egyptian cotton and Tasmanian wool through cooperation with apparel makers.

Internationally, we also expanded our market opportunities. Import restrictions within Europe and the U.S. concerning the quantity of textile products made in China and other Asian countries were fully removed in January 2005. Also, it now appears that foreign companies in China will have the opportunity to acquire domestic distribution rights. We see these developments as an opportunity to expand our sales within China and promote China-based trade with Europe and the U.S. To this end, we have strengthened ties with leading local companies in China and established a stronger framework for exporting goods to Europe and the U.S. through our subsidiaries, ITOCHU Textile (China) Co., Ltd. and Prominent Apparel Ltd. We have also expanded our manufacturing bases located in various parts of Asia.

In addition to these advancements, we generated positive results in our brand business including LANVIN and

As of March 31, 2005

Number of Employees

Consolidated*	5,223
Non-consolidated	683

*The number of consolidated employees is based on actual working employees excluding temporary staff.

Number of Subsidiaries and Associates

Domestic	40
Overseas	25

Products & Services

• Yarn • Wool • Textile • Knit fabrics • Secondary textile products • Fashion goods • Bedding fabrics • Interior fabrics • Industrial fibers • Inorganic fibers and related products

Organization (As of April 1, 2005)

Textile Company
- Planning & Coordinating Department
- Accounting & Control Department
- Credit & Affiliate Administration Department
- IT Business Development Department
- **Textile Material & Industrial Textile Division**
  - Textile Material Department
  - Industrial Textile Department
- **Textile Division**
  - Textile Department 1
  - Textile Department 2
- **Apparel Division**
  - Apparel Department 1
  - Apparel Department 2
- **Brand Marketing Division 1**
  - Brand Marketing Department 1
  - Brand Marketing Department 2
- **Brand Marketing Division 2**
  - Brand Marketing Department 3
  - Lifestyle Department

CONVERSE. As such, our gross trading profit for fiscal year 2005 rose by ¥12.5 billion to ¥1,128 billion, and net income increased by ¥3.1 billion to ¥14.8 billion. ROA improved 0.8 percentage points to 3.9%, signifying our high asset efficiency and stability.

Net Income from Major Group Companies*

Years ended March 31 (Billions of yen)	2004	2005
• Prominent Apparel Ltd.	¥0.4	¥0.2
• Leilian Co., Ltd.	0.2	0.2
• TOMMY HILFIGER JAPAN, INC.	0.7	0.6

*ITOCHU's share of net income

Successive Acquisition of Master Licenses of Sports-Related Brands

The sports-related market, which attracts attention for not only its high product functionality but also collaboration with the fashion sector, is a brand business on which we are focusing.

We acquired exclusive manufacturing and distribution rights in Japan in fiscal year 2005 for the three sports and sport casual brands listed below. We plan to expand our business activity for these brands, focusing mainly on apparel and general merchandise.

Austrian sports brand "HEAD"

1. PRO-Keds, a U.S. shoe brand

PRO-Keds is a high potential brand with a large market, selling one million pairs of shoes annually in Japan. ITOCHU will develop all of PRO-Keds items excluding shoes. (Expected sales: ¥5 billion in fiscal year 2008)

2. HEAD, an Austrian sports brand

HEAD is a traditional brand popular around the world for mostly its ski and tennis accessories. ITOCHU plans to develop sports and casual wear under this brand. (Expected sales: ¥20 billion for fiscal year 2010)

3. SPALDING, a U.S. brand

SPALDING is a comprehensive sports brand recognized by basketball and other sports fan worldwide. ITOCHU's subsidiary, ITOCHU Fashion System Co., Ltd., will act as SPALDING's exclusive manufacturer and distributor in Japan. It will support product planning and coordinate distribution as part of its integrated brand management and marketing endeavors. (Expected sales: ¥30 billion in fiscal year 2008*)

*Expected sales are based on retail prices.

For a broad overview of ITOCHU's brand business, please refer to page 20.

Jiro Takemori
President, Machinery Company

Machinery Company

Net Income from Major Group Companies*

Years ended March 31 (Billions of yen)	2004	2005
• ITOCHU Sanki Corporation	¥0.3	¥0.3
• Century Medical, Inc.	0.2	0.3
• MCL Group Ltd.	0.5	0.2
• ITOCHU Automobile America Inc.	0.6	1.1
• Century Leasing System, Inc.	1.0	1.1

*ITOCHU's share of net income

One hallmark of the Machinery Company is its highly efficient management, underpinned by an ROA that is among the best for general trading companies in the machinery segment. With nearly one-third of its headquarters personnel stationed at key branches overseas, the Machinery Company also has the best overseas network among ITOCHU's Division Companies. Historically active in overseas markets, we have a particularly strong position in specific markets such as North America, Algeria, Indonesia, Central and Eastern Europe, and the CIS. In addition, we are active in many different types of business fields in the strikingly high-growth BRIC (Brazil, Russia, India, China) countries, including oil and gas projects in Brazil, automotive exports to Russia, electric power plants in India, and automotive exports and railway projects in China. In line with ITOCHU's core segments, we are aggressively advancing our activities in the consumer-related automobile retail business, natural resource development-related plant business, and innovative technology-related business as priority areas for the entire Company.

Business Performance and Priority Policies in Fiscal Year 2005

Business performance in fiscal year 2005 was favorable, with trading-related profits trending upwards. North America and the CIS, in particular, exhibited growing demand in the automotive and construction machinery markets and brisk market conditions for shipping/maritime transport also boosted our performance.

Within our primary markets, we concluded the following large-scale contracts: railway transport (subway cars for Guangzhou, increasing the speed of the existing line) in China; electric power (a power plant in Zouxian, Shangdong, etc.), steel manufacturing (rolled stainless steel), and electric power (Bakreswar thermal power plant) in India, and an LNG ship in Algeria. We also made a strategic, forward-looking investment through the purchase of preferred shares in Isuzu Motors Ltd. and new technology and natural resource development advancements through equity investments in H2Gen Innovations, Inc., a US company involved in developing small-scale hydrogen generators for on-site use, and in Pearl Energy Ltd., a crude oil and gas company in Singapore engaged in oil and gas field development.

LNG carrier for the Algerian joint venture project

As of March 31, 2005

Number of Employees

Consolidated*	5,442
Non-consolidated	571

*The number of consolidated employees is based on actual working employees excluding temporary staff.

Number of Subsidiaries and Associates

Domestic	24
Overseas	49

Products & Services

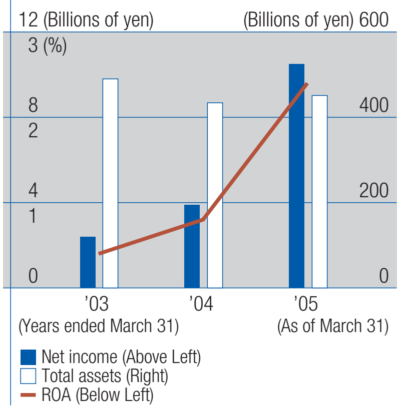
• Oil, gas and petrochemical plants • Ships • Vehicles • Rolling stock • Power generating equipment • Construction machinery • Textile machinery • Industrial machinery • Medical devices • Electronic device and equipment

Organization (As of April 1, 2005)

Machinery Company
- Planning & Coordinating Department
- Administration Department
- **Plant & Project Division**
  - Marine Department
  - Oil, Gas & Petrochemical Project Department
  - Transport & Infrastructure Projects Department
  - Utility Solution Business Department
- **Automobile Division**
  - Automobile Department No.1
  - Automobile Department No.2
  - Automobile Department No.3
  - Department of Automobile Business Strategy and Development
  - Isuzu Business Promotion Department
- **Industrial Machinery & Solution Division**
  - New Business Promotion Department
  - Industrial Machinery & Project Department
  - Fine Process Machinery Department

These activities fueled a dramatic rise in profits for fiscal year 2005. Gross trading profit rose ¥6.9 billion to ¥58.0 billion and net income increased ¥6.6 billion (approximately 170%) to ¥10.5 billion, spurred on by increased profits from equity in the earnings of associated companies. ROA also improved dramatically, rising 1.6 percentage points to 2.4%.

Financial Highlights



Expanding Our Automotive Business through an Additional Investment in Isuzu Motors Ltd.

In November 2004, we expanded the scope of our automotive business with the purchase of ¥19.1 billion of outstanding preferred shares of Isuzu Motors.

Although high growth is not expected for the domestic Japanese auto market, we anticipate continued high growth overseas, primarily in Asia and the BRICs. Isuzu Motors has designated overseas business as a pillar of its growth strategy and plans to double overseas auto sales to 300,000 units by March 2008 through a strengthening of its local production and sales networks.

We have previously collaborated with Isuzu Motors in developing automotive operations overseas, establishing joint manufacturing and sales ventures in Vietnam and Indonesia as well as a distributorship for North America. Moreover, we operate a number of businesses in North America that provide comprehensive distribution services ranging from parts procurement to vehicle transportation.

Our aim in purchasing the preferred shares is to strengthen further our relationship with Isuzu Motors. To this end, we established a new department called the Isuzu Business Promotion Department in April 2005. Our objective going forward is to develop and expand aggressively new business in regions such as North America and China.

Latest Isuzu commercial vehicle lineup

Shigeki Nishiyama
President, Aerospace, Electronics & Multimedia Company

Aerospace, Electronics & Multimedia Company

ITOCHU boasts top-class profitability in the information and telecommunication field, possessing subsidiaries that are industry leaders in sectors where sustained growth is expected. These subsidiaries include the IT service providers ITOCHU TECHNO-SCIENCE Corporation and CRC Solutions Corp., web portal business Excite Japan Co., Ltd., mobile services business ITC NETWORKS CORPORATION, and aerospace business ITOCHU Aviation Co., Ltd.

Carrying on our tradition of a frontier spirit in creating new industries and new fields of business, we are also actively working to cultivate new technologies and businesses that we expect to be the cornerstone of our future earnings growth.

Internet portal, excite

Net Income from Major Group Companies*

Years ended March 31 (Billions of yen)	2004	2005
• ITOCHU TECHNO-SCIENCE Corporation	¥3.5	¥5.1
• CRC Solutions Corp.	0.2	1.0
• SPACE SHOWER NETWORKS INC.	0.1	0.1

*ITOCHU's share of net income

Business Performance and Priority Policies in Fiscal Year 2005

The overall business environment for fiscal year 2005 was favorable. Despite slow growth in new mobile phone subscribers due to a maturation of the market and falling prices of IT products and services, a recovery in IT investment was accompanied by improving corporate profits and strong Internet advertising market growth was observed.

Amidst these trends, we focused on establishing new businesses that will make up the Division Company's core businesses in the future. As such, we launched our VOD (Video on Demand) business and established JAPAN AEROSPACE CORPORATION, which took over the aerospace business of the former KAWASHO CORPORATION. We also focused on developing group companies targeted for future stock listings.

As of March 31, 2005

Number of Employees

Consolidated*	7,375
Non-consolidated	334

*The number of consolidated employees is based on actual working employees excluding temporary staff.

Number of Subsidiaries and Associates

Domestic	62
Overseas	13

Products & Services

• Programing supply and entertainment business • Mobile-phone and related equipment and services • IT services and related equipment • e-business and services • Aerospace and Defence systems • Security and electronics systems

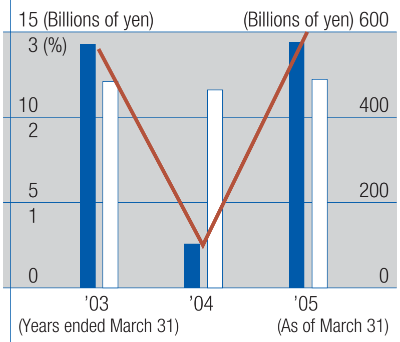
Organization (As of April 1, 2005)

Aerospace, Electronics & Multimedia Company

- Planning & Coordinating Department
- Accounting & Control Department
- Affiliate Administration & Support Department
- **Aerospace & Electronic Systems Division**
  - Aerospace & Defence Department
  - Commercial Aerospace & Electronics Department
- **IT & Business Solutions Division**
  - Information Technology Business Department
  - Business Solutions Department
- **Media Business Division**
  - Network & Content Business Department
  - Mobile & Wireless Department

Gross trading profit for the fiscal year increased by ¥2.9 billion to ¥108.4 billion despite decreased earnings by some group companies, fueled by positive financial results by JAPAN AEROSPACE and favorable conditions for the mobile phone business. Net income recorded a sizeable increase from the previous fiscal year's ¥2.6 billion, rising to ¥14.4 billion. Contributing factors were the stock listing of Excite Japan and a reduction in losses due to business reorganization during the previous fiscal year. ROA also recorded a large gain of 2.5 percentage points to 3.0%.

Financial Highlights



Net income (Above Left)
Total assets (Right)
ROA (Below Left)

Excite Japan Listing on JASDAQ

The web portal Excite Japan gained a listing on JASDAQ in November 2004.

Since ITOCHU became the largest shareholder of Excite Japan in February 2002, the portal undertook developments such as creating sites for women, establishing an Internet café under the "Excite" brand, and expanding content services such as online gaming and music downloads. We are currently well on our way to achieving differentiation as an Internet medium for young urban consumers in their 20s and 30s.

ITOCHU has positioned Excite Japan as a key platform for the e-business field. We will continue to improve Excite Japan's content and services in support of its users.

Woman. excite CAFE

Akira Yokota
President, Energy, Metals & Minerals Company

Energy, Metals & Minerals Company

The Energy, Metals & Minerals Company has been taking active steps to expand its natural resource development business, a key sector for ITOCHU in expanding profits. Many of our projects implemented to date have been high in profitability, producing a top-ranked ROA in comparison to the energy, metals, and minerals sector of other general trading companies.

We have participated in a number of development projects primarily in Australia related to iron ore, coal, and alumina. As of April 2005, we held an equity share in metals and mineral resources with the following output totals: iron ore, 8 million tons; coal, 9 million tons; and alumina, 200,000 tons. Demand for coking coal as well as iron ore, a raw material for steel, has been increasing in Asia and in particular China, suggesting that prices should remain firm over the mid to long term.

Natural gas and liquefied natural gas (LNG) development projects are progressing as scheduled in Algeria, Qatar, and Oman, thereby contributing substantially to earnings growth in the energy resource development sector. With respect to oil exploration, production on a commercial scale has commenced for the ACG Project at the Central Azeri oil field in Azerbaijan. In addition, production of crude oil is scheduled to begin by the end of this year for the Sakhalin-I Project, which is currently under exploratory development. We have also acquired an equity share in an oil field development project in the British North Sea, which we expect will immediately contribute to Company profits.

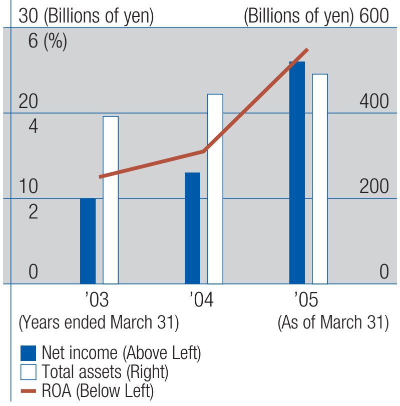
We aim to improve further our profitability in natural resource development through an aggressive pursuit of high-value-added businesses. Such projects include a large-scale pipeline for shipping oil from Azerbaijan, an LNG ship-holding business that transports LNG from Oman, and a coke production business in China.

Net Income from Major Group Companies*

Years ended March 31 (Billions of yen)	2004	2005
• ITOCHU Non-Ferrous Materials Co., Ltd.	¥0.5	¥ 0.8
• ITOCHU Petroleum Japan Ltd.	1.5	0.4
• ITOCHU Minerals & Energy of Australia Pty Ltd	5.3	13.9
• Marubeni-Itochu Steel Inc.	3.1	9.7
• ITOCHU Oil Exploration (Azerubaijan) Inc.	2.3	2.0
• JAPAN OHANET OIL & GAS CO., LTD.	0.0	0.1

*ITOCHU's share of net income

Financial Highlights



Business Performance and Priority Policies in Fiscal Year 2005

Business performance for the period improved greatly due to sustained high prices and volume levels for coal, iron ore, crude oil, and all other products we handle. Gross trading profit increased by ¥14.4 billion to ¥39.1 billion, primarily due to an increase in the volume of coal handled following our purchases of an additional equity share during the fiscal year ended March

As of March 31, 2005

Number of Employees

Consolidated*	473
Non-consolidated	308

*The number of consolidated employees is based on actual working employees excluding temporary staff.

Number of Subsidiaries and Associates

Domestic	11
Overseas	16

Products & Services

• Crude oil • Petroleum products, LPG • LNG • Iron ore • Coal • Aluminium • Steel scrap • Steel products

Organization (As of April 1, 2005)

Energy, Metals & Minerals Company
- Planning & Coordinating Department
- Control Department
- Affiliate Administration & Risk Management Department
- Steel Business Administration Department
- **Metals, Mineral Resources & Coal Division**
  - Metals & Mineral Resources Department
  - Coal Department
- **Energy Trade Division**
  - International Energy Trading Department
  - Energy Sales & Supply Department
- **Energy Development Division**
  - Exploration & Production Department
  - Natural Gas Project Department
  - Sakhalin Project Development Department

2004. Net income for the period doubled (for an increase of ¥12.7 billion) to ¥25.7 billion. This was due to an increase in gross trading profit and higher dividends related to LNG projects and an increase in equity in earnings of associated companies stemming from a favorable trend for steel products businesses. ROA also improved greatly, increasing by 2.4 percentage points to 5.5%.

As mentioned before, we expect that demand and prices will continue to remain firm. In order to expand the business scale while maintaining profitability, we will continue to expand our earnings base by accelerating ongoing efforts in the natural resource development business, primarily by increasing investments to expand existing businesses, acquiring new equity shares premised on securing profits through the futures market, and participating in projects covered by long-term trading contracts.

We have already decided to add further investments for the expansion of production and shipping capacity for our existing iron ore mine development business in Australia during the fiscal year ending March 2005. We have also concluded a long-term LNG trading agreement with the Omani government and we have decided to participate in the LNG shipholding business to transport the LNG from there.

* Please refer to page 22 for information on the Company's advantages in energy and metals resource projects.

ITOCHU Corporation Primary Equity Projects (As of May 2005)

(Units: 1,000 t)

Region	Project Name (Mine Name)	ITOCHU's Equity Share (%)	Production Capacity (annual)	Quantity of Equity Share
Coal				
Australia	NCA Joint Venture	35.0	13,000	4,550
	Oaky Creek Joint Venture	20.0	10,000	2,000
	Rolleston Joint Venture	12.5	8,000	1,000
Iron Ore				
Australia	Iron Ore Resource Development Project (Mt. Newman, Yandi, Mt. Goldworthy)	8.0	100,000	8,000
Petroleum and Gas			Production Capacity	
Algeria	Ohanet	10.5	Condensate 2,900 t/day, LPG 2,000 t/day, Gas 15 million m³/day	
Azerbaijan	ACG	3.9	Crude Oil 320,000 barrels/day (at peak during 2005)	
North Sea, UK	Alba	8.0	Crude Oil 70,000 barrels/day	
	Caledonia	10.06		
	Hudson	20.62	Crude Oil 11,000 barrels/day	
Qatar	Ras Laffan LNG	4.0	LNG 6.4 million t/year	
Oman	Oman LNG	0.92	LNG 7.1 million t/year	
Russia	Sakhalin I	The ITOCHU Group is the primary private stockholder in Sakhalin Oil and Gas Development Co., Ltd. (SODECO) with an 18.12% share. (SODECO retains 30% share in the Sakhalin I Project.)		

Hiroshi Kitamura
President, Chemicals, Forest Products & General Merchandise Company

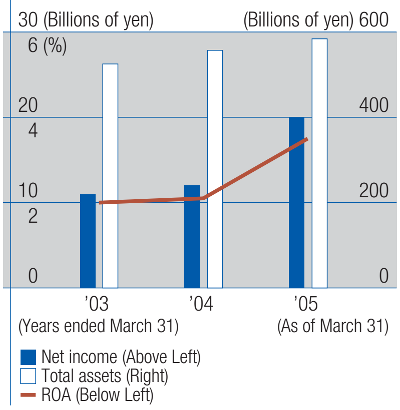
Chemicals, Forest Products & General Merchandise Company

The Chemicals, Forest Products & General Merchandise Company is comprised of two divisions and one department, which is under the direct control of this Division Company.

1. **Forest Products & General Merchandise Division, for which the following businesses form the core components of profits: global trade in natural rubber and tires; building materials focused on Japan and the U.S. markets; forestation in Oceania and South America; pulp manufacturing in Brazil and the global pulp trade; and the manufacture and sale of ceramic materials and products.**
2. **Chemicals Division, which is engaged in trade in organic and inorganic chemicals and commodity resins; the sale of functional chemicals; pharmaceuticals, life science-related products, and synthetic resin products; and the processing business of synthetic resin both domestically and overseas.**
3. **Life & Living Department, which handles retail sales and retail support businesses for lifestyle goods.**

Since we cover a wide range of businesses, we clearly distinguish the roles of each, including those of the group companies. We manifest our strengths through integrated global operations of products and services from upstream to downstream.

Financial Highlights



Our Forest Products & General Merchandise Division occupies the lead position among general trading companies in terms of gross trading profit, and net income for this fiscal year as well. Following fiscal year 2004, the Chemicals Division again achieved record-high profits in fiscal year 2005, assuming the lead in terms of ROA among general trading companies after reorganizing our portfolio to increase highly efficient assets.

Business Performance and Priority Policies in Fiscal Year 2005

The business environment for this period was favorable overall. Despite cost increases in the chip and pulp manufacturing business overseas due to a rise of the local currency and the negative impact due to demand adjustment in the electronic materials sector, demand was strong for building and other materials in both the U.S. and Japan. Continued high prices for the chemical products market also contributed to favorable results.

We remain committed to the midstream and retail fields and are strengthening upstream fields centering on large-scale projects. In the midstream and retail fields, our subsidiary I.C.S. Co., Ltd. acquired Autotech Corp., an auto accessories and supplies retailer. We also made a capital investment in the Japanese local subsidiary of China's largest pharmaceutical company, Sanjiu Enterprise Group, putting in place a structure for the development of the pharmaceuticals business in Chinese herbal medicine and

As of March 31, 2005

Number of Employees

Consolidated*	7,330
Non-consolidated	452

*The number of consolidated employees is based on actual working employees excluding temporary staff.

Number of Subsidiaries and Associates

Domestic	43
Overseas	48

Products & Services

• Logs & Lumber • Pulp & Paper • Natural rubber and tires • Ceramic products • Basic chemicals • Fine chemicals • Pharmaceutical products • Inorganic chemicals • Plastics • Various consumer products

Organization (As of April 1, 2005)

Chemicals, Forest Products & General Merchandise Company

- Planning & Coordinating Department
- Accounting, Affiliates Administration & Credit Control Department
- Life & Living Department
- **Forest Products & General Merchandise Division**
  - Wood Products & Materials Department
  - Paper Materials & Products Department
  - Tire & Rubber Department
  - General Merchandise Department
- **Chemicals Division**
  - Organic Chemicals Department No.1
  - Organic Chemicals Department No.2
  - Inorganic Chemicals Department
  - Plastics Department

Decision to Increase Production Capacity for Cenibra Pulp Operations


Cenibra Pulp Mill (Minas Gerais, Brazil)

This Division Company maintains an investment in Celulose Nipo-Brasileira S.A. (Cenibra) in Brazil through Japan Brazil Paper and Pulp Resources Development Co., Ltd. Cenibra's eucalyptus forestation has achieved the world's top-class growth volumes due to Brazil's warm climate and abundant rainfall. Cenibra's pulp is the most cost competitive in the world due to the advantage of raw material costs. Cenibra is also practicing sustainable forestry management. With 100% of its logs obtained from the forestation, Cenibra has established an environmentally friendly operation.

In order to make an effective use of the abundant forest resources, we have decided to invest an additional ¥26.0 billion by 2007, boosting annual production from the current 1.0 million tons to 1.2 million tons. We will also promote sales to China and Asia, as well as Europe and other markets, in which we anticipate a continuing increase in demand.

With Cenibra as our core operation, the Division Company is targeting the number one position worldwide in terms of volume handled for pulp trading. With Cenibra's increased capacity and expanded procurement from other existing supply sources, we are targeting sustained profit increases by actively expanding sales to Asian markets, such as Japan and China, as well as to the European and North American markets.

generic drugs. In the upstream field, we decided to double the capacity of the manufacturing facilities for P.T. Aneka Bumi Pratama, a natural rubber-manufacturing subsidiary in Indonesia. In addition, we are considering participating in a major petrochemical project in Asia, and construction is also progressing as scheduled for our PTA (high purity terephthalic acid) business in Daxie, China, in which we decided upon an investment in fiscal year 2004.

The above operations resulted in gross trading profit totaling ¥105.9 billion in fiscal year 2005, with a ¥14.0 billion year-on-year increase. Net income registered an ¥8.7 billion increase to ¥20.3 billion and ROA rose 1.4 percentage points to 3.5%.

Net Income from Major Group Companies*

Years ended March 31 (Billions of yen)	2004	2005
• ITOCHU Kenzai Corp.	¥1.0	¥1.5
• ITOCHU Pulp & Paper Corp.	0.6	0.5
• ITOCHU CHEMICAL FRONTIER Corporation	1.2	1.0
• ITOCHU PLASTICS INC.	1.7	1.8
• Prime Source Building Products, Inc.	3.2	7.5
• CIPA Lumber Co., Ltd.	0.3	0.9

*ITOCHU's share of net income

Kouhei Watanabe
President, Food Company

Food Company

The Food Company seamlessly brings together all levels of the foodstuff field, from the development of food materials in Japan and overseas to manufacturing and processing, distribution, and the retail business. We are developing our business by applying a Strategic Integrated System (SIS), which features the building of a supply and demand system based on customer needs.

In the domestic distribution sector, the Company has built the top-level food distribution network in the industry. The three wholesalers ITOCHU SHOKUHIN Co. Ltd., Nishino Trading CO., LTD., and NIPPON ACCESS, INC. form the core of this nationwide, multi-temperature distribution network.

In the retail sector, we are developing FamilyMart convenience stores. In addition to aggressively opening stores in Japan and overseas, the Company is operating FamilyMart as a major component of its SIS strategy at the forefront of its retail operations. These stores function as strategic bases, providing feedback on consumers' needs to mid and upstream operations and offering information to consumers through new products and services. We expect that these functions will continue to be enhanced.

In Asian markets centering on China and Thailand, which are experiencing a rapid expansion, we are also pursuing strategic alliances with leading local partners such as the Ting Hsin International Group (China). Our strategy is to rapidly and actively pursue the establishment of a supply base for Japan and to break into new consumer markets by transplanting to overseas markets the technology, brand power, and SIS strategy know-how we have cultivated in Japan.

Net Income from Major Group Companies*

Years ended March 31 (Billions of yen)	2004	2005
• Nishino Trading Co., Ltd.	¥0.9	¥0.7
• Japan Foods Co., Ltd.	0.1	0.2
• FamilyMart Co., Ltd.	4.2	4.0
• CGB ENTERPRISES, INC.	0.1	0.6

*ITOCHU's share of net income

Business Performance and Priority Policies in Fiscal Year 2005

Regarding the macro environment for the industry, reorganization of the domestic food industry on all levels is progressing. In overseas markets, we are seeing sustained high growth for the food sector in China, which experiencing close to double-digit growth. Business opportunities are also expanding in China with the easing of restrictions on foreign investment in the wholesale industry in December 2004.

As of March 31, 2005

Number of Employees

Consolidated*	6,637
Non-consolidated	361

*The number of consolidated employees is based on actual working employees excluding temporary staff.

Number of Subsidiaries and Associates

Domestic	75
Overseas	23

Products & Services

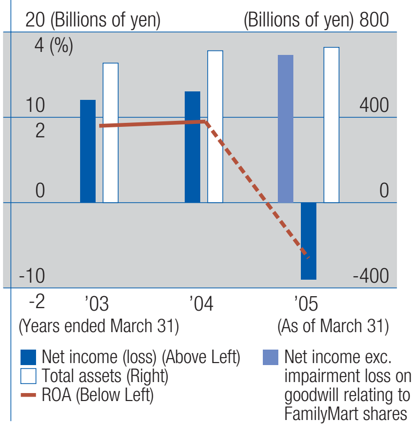
• Wheat, barley • Vegetable oils • Soybeans, corn • Juice, coffee • Sugar • Dairy products • Marine, livestock, agri products • Frozen foods • Processed foods • Pet foods • Soft drinks • Liquor

Organization (As of April 1, 2005)

Food Company

- Planning & Coordinating Department
- Administration Department
- Affiliate Administration & Risk Management Department
- **Provisions Division**
  - Oilseeds, Oils & Fats Department
  - Grain & Feed Department
  - Sugar, Confectionary Materials & Dairy Products Department
  - Coffee & Beverage Marketing Department
- **Fresh Food & Food Business Solutions Division**
  - Marine Products Department
  - Meat Products Department
  - Food Marketing Development Department
  - Agri Products Department
- **Food Products Marketing & Distribution Division**
  - Food Products Marketing & Distribution Department No.1
  - Food Products Marketing & Distribution Department No.2
- FamilyMart Department

Financial Highlights



Against this background, the Company is currently working to strengthen distribution functions for mid-stream operations and plans to establish a high-level supply infrastructure that better responds to customer needs. We have made an additional investment in NIPPON ACCESS, INC. and have established Dolce Co., Ltd., a wholesale company of confectionary.

Due to increases in the transaction volume of raw materials and food distribution subsidiaries, gross trading profits for fiscal year 2005 rose by ¥5.2 billion year-on-year to ¥136.2 billion. Despite this, we posted a net loss of ¥9.3 billion for the period due to recognition of a ¥45.1 billion impairment loss on goodwill relating to shares of FamilyMart Co., Ltd. Excluding the impairment loss, this virtually marks a profit increase of ¥4.0 billion and a 0.4 percentage point rise in ROA to 2.3%.

Accelerating the Establishment of FamilyMart Stores Overseas

Making use of the know-how we have cultivated domestically, the Company intends to pursue an aggressive expansion of FamilyMart convenience stores overseas in cooperation with FamilyMart Co., Ltd. Following previous launches in Taiwan, South Korea, and Thailand, we conducted an official debut in Shanghai, China in July 2004. In addition, we opened a store on the U.S. West Coast in July 2005, with the intention of making optimal use of our functions as a trading company to provide full support for the FamilyMart's "Global 20,000 Store Plan," while continuing to strengthen ties with peripheral industries such as food supplies, logistics, and vendor operations.

* Please refer to pages 18-19 for the feature article on FamilyMart-related business.

Opening of a FamilyMart store in Shanghai, China

Akira Kodera
President, Finance, Realty, Insurance & Logistics Services Company

Finance, Realty, Insurance & Logistics Services Company

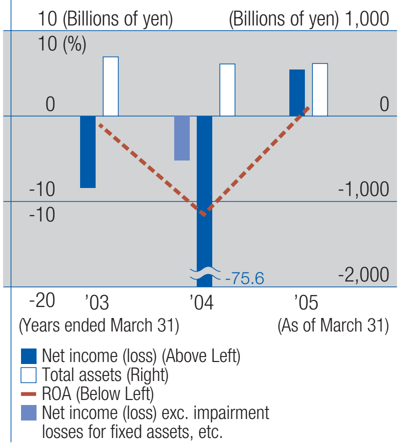
The Finance, Realty, Insurance & Logistics Services Company's primary businesses are retail finance, housing, insurance intermediation, and third-party logistics (3PL). In each of these businesses, we have a leading position among general trading companies.

For the retail finance business, our Division Company has a particularly strong position. In February 2005, we decided to become the primary shareholder in Orient Corporation (Orico), securing 21% of the voting rights through a capital investment of approximately ¥70 billion. This marks the first full-scale entry by a general trading company into this sector. Our goal is to actively support Orico's affiliated retail outlets and increase its corporate value. Support will not only come from our Financial Services Division, but will instead be provided by all ITOCHU's business units.

Another strength of our Division Company lies in its businesses expansion by way of cross-divisional collaboration. For example, the Division Company has been active in real estate securitization due to closer cooperation between the Construction & Realty Division and the Financial Services Division.

We are also actively expanding operations across the entire Asian region, including China. To facilitate our distribution, we have established both a main-line distribution and terminal delivery networks that cover all regions of China. This system of networks will strongly support ITOCHU's China Strategy, which focuses on downstream fields such as the consumer and retail-related sectors. In the insurance sector, we have established a tie-up with Ingosstrakh Insurance Company, Ltd., the third largest Russian insurance company. This partnership will provide insurance support for the anticipated rapid increase of Japanese companies entering the Russian market.

Financial Highlights



Business Performance and Priority Policies in Fiscal Year 2005

The business environment was comparatively strong in fiscal year 2005. Housing construction starts continued to improve and demand for the 3PL market has expanded substantially due to a greater need for distribution cost reductions.

In such an environment, we have secured a profit base in our retail finance business by forming the alliance with Orico as a starting point, while simultaneously expanding our businesses offering high asset efficiency, such as the securitization business. We have also placed a priority on profit growth in the insurance and logistics services sectors.

As of March 31, 2005

Number of Employees

Consolidated*	2,461
Non-consolidated	373

*The number of consolidated employees is based on actual working employees excluding temporary staff.

Number of Subsidiaries and Associates

Domestic	51
Overseas	41

Products & Services

• Structuring and sales of financial products • Agency and consulting services of insurance and reinsurance • Warehousing • Logistics services • Developments and operations of real estate

Organization (As of April 1, 2005)

Finance, Realty, Insurance & Logistics Services Company

- Planning & Coordinating Department
- Administration Department
- Orico Business Integrated Department
- **Financial Services Division**
  - Forex & Securities Department
  - Financial Solutions Business Department
  - Financial Business Development Department
- **Construction & Realty Division**
  - Construction & Realty Department
  - Overseas Construction & Realty Department
  - Osaka Construction & Realty Department
- **Insurance Services Division**
  - Insurance Business Development Department
  - Marine Insurance Department
- **Logistics Services Division**
  - Logistics Department No.1
  - Logistics Department No.2

Net Income from Major Group Companies[*1]

Years ended March 31 (Billions of yen)	2004	2005
• ITOCHU Finance Corporation[*2]	¥4.1	¥2.7
• CENTURY 21 REAL ESTATE OF JAPAN LTD.	0.2	0.2
• i-LOGISTICS CORP.	0.2	0.4
• kabu.com Securities Co., Ltd.[*2]	0.7	0.9

[*1] ITOCHU's share of net income

[*2] The net income of ITOCHU Finance Corporation includes that of kabu.com Securities Co., Ltd.

In the fiscal year ended March 2004, the Finance, Realty, Insurance & Logistics Services Company booked impairment losses on fixed assets and proceeded to liquidate real estate inventories due to the early application of impairment accounting for fixed assets under Japan GAAP. This led to a positive result, and along with strong condominium sales, gross trading profit rose by ¥3.2 billion to ¥39.3 billion for fiscal year 2005, excluding the losses resulting from the aforementioned application of impairment accounting and other factors during the previous period. With the additional contribution from the stock listing of kabu.com Securities Co., Ltd., a ¥10.6 billion improvement over the previous fiscal year's loss resulted in a net income of ¥5.4 billion for the period, excluding the losses resulting from the application of impairment accounting during the previous fiscal year, and thus our Division Company restored overall profitability.

Orico Card "UPty"

First Project Related to Tie-up with Orico: Commencement of Inventory Loans for Auto Dealers

The Division Company began in April 2005 to handle inventory loans for major automotive dealers affiliated with Orico. We have set a limit of ¥300 million for each car dealer and we expect to handle ¥100 billion in total per year within three years through a country-wide expansion.

This plan enables a new type of capital funding for auto dealers, using inventory as collateral and ultimately enabling auto dealers to make vast improvements to their sales force. ITOCHU Finance Corporation will provide credit for the plan while Orico will manage disbursements and collections, monitor collateral, and oversee affiliated dealers.

Our alliance with Orico is not simply a means to provide financial services to Orico's customers and affiliated retail outlets. This tie-up will create value for the business by providing ITOCHU's broad range of solutions including marketing functions, retail strategy, and consulting with respect to cost-cutting measures.

Please refer to page 21 for an overview of the Company's joint efforts with Orient Corporation.