Division Companies

From its original business of textiles, ITOCHU has expanded its areas of operations to include natural resource development, machinery, foods, consumer-related businesses, and financial services. At the same time, it has developed an integrated business structure that encompasses not only trading but also investment and project organization.

Based on the Division Company System introduced in April 1997, ITOCHU has seven Division Companies. The aim of this system is to maximize revenue and earnings in each field of business through a swift decision-making process. In addition, we are working to maximize the earnings of the entire Group through the horizontal integration of projects spanning the Division Companies and in close cooperation with ITOCHU Headquarters.

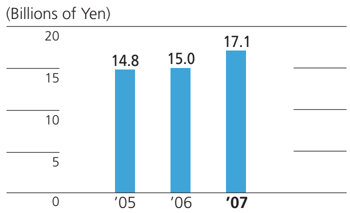
Division Companies at a Glance

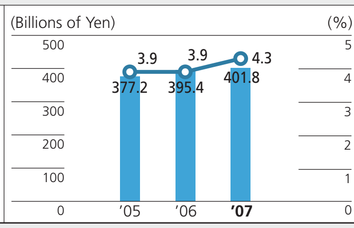
Division Companies | Performance

Textile Company

Net Income (Loss) | Total Assets / ROA ■ Total Assets (left) -o- ROA (right)

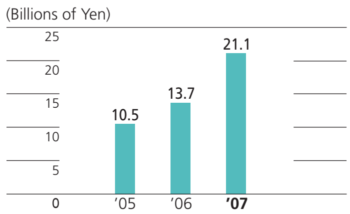
Major Group Companies
- Prominent Apparel Ltd.
- Tommy Hilfiger Japan Corporation
- JOI'X CORPORATION

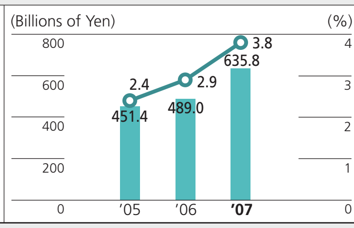




Machinery Company

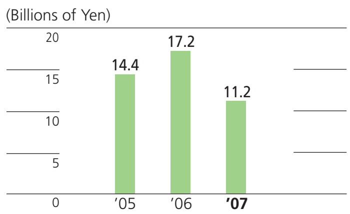
Major Group Companies
- ITOCHU Sanki Corporation
- ITOCHU CONSTRUCTION MACHINERY CO., LTD.
- MCL Group Limited
- ITOCHU Automobile America Inc.
- Century Leasing System, Inc.

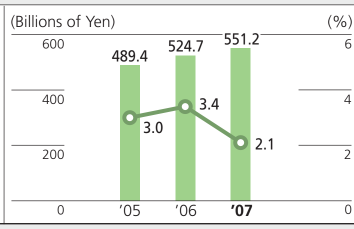




Aerospace, Electronics & Multimedia Company

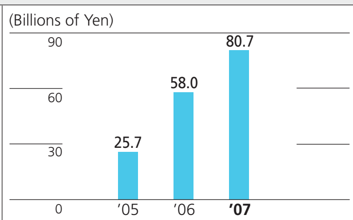
Major Group Companies
- ITOCHU Techno-Solutions Corporation
- ITC NETWORKS CORPORATION
- Excite Japan Co., Ltd.
- SPACE SHOWER NETWORKS INC.

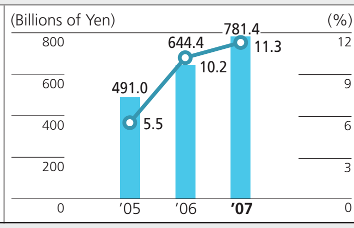




Energy, Metals & Minerals Company

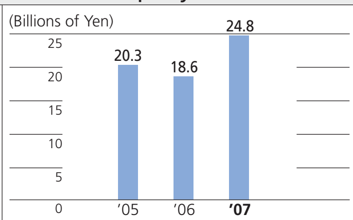
Major Group Companies
- ITOCHU Non-Ferrous Materials Co., Ltd.
- ITOCHU Petroleum Japan Ltd.
- ITOCHU Minerals & Energy of Australia Pty Ltd
- ITOCHU Oil Exploration (Azerbaijan) Inc.
- Marubeni-Itochu Steel Inc.

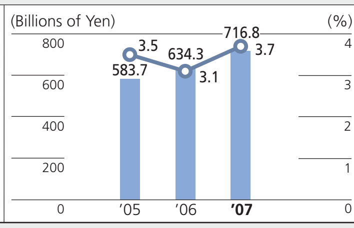




Chemicals, Forest Products & General Merchandise Company

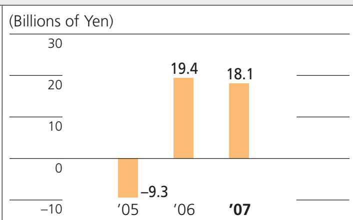
Major Group Companies
- ITOCHU Kenzai Corp.
- ITOCHU Pulp & Paper Corp.
- ITOCHU CHEMICAL FRONTIER Corporation
- ITOCHU PLASTICS INC.
- PrimeSource Building Products, Inc.

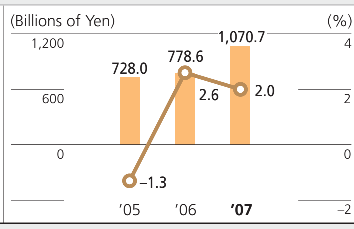




Food Company

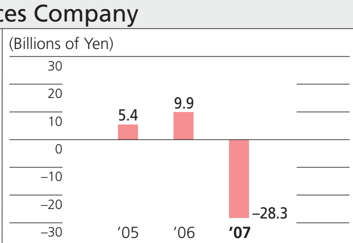
Major Group Companies
- NIPPON ACCESS, INC.
- Japan Foods Co., Ltd.
- FamilyMart Co., Ltd.

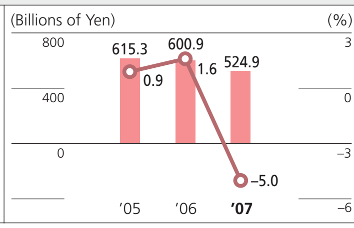




Finance, Realty, Insurance & Logistics Services Company

Major Group Companies
- ITOCHU Finance Corporation
- CENTURY 21 REAL ESTATE OF JAPAN LTD.
- i-LOGISTICS CORP.
- Orient Corporation
- FX PRIME Corporation
- eGuarantee, Inc.





Frontier+ 2008 Strategies	Major Products and Services
• Pioneer and develop new businesses and aggressively implement M&A activities • Expand revenue and earnings from overseas operations • Boost earning power of operating companies	• Raw materials • Textiles • Apparel products • Fashion goods • Industrial textiles • Branded products or services, such as apparel, food, household goods, and music
• 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	• Gas, oil, and petrochemical plants • Ships • Automobiles • Rolling stock • Power-generating equipment • Construction machinery • Textile machinery • Industrial machinery • Electronic devices and equipment • Water resources and environment-related equipment • Machinery related to renewable and alternative energy sources
• Accelerate growth in core businesses of aerospace, IT solutions, and mobile • Turn upfront investments in life science and mobile & contents into sources of profit • Pioneer new businesses	• Broadcasting and communication business • Electronic systems • Internet-related business • Equipment for broadcasting and communication services • Programming supply and entertainment business • Mobile telecommunication 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
• 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, DME, and bio-ethanol • Construct profitable models for environment-related businesses, such as greenhouse gas emissions credit trading and resource recycling	• Iron ore • Coal • Aluminum • Steel scrap • Steel products • Crude oil • Petroleum products • LPG • LNG • Nuclear fuel
• 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	• Building materials • Logs and lumber • Pulp • Paper • Crude rubber • Tires • Ceramic products • Basic chemicals • Fine chemicals • Pharmaceutical products • Inorganic chemicals • Plastics • Various consumer products
• 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	• 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
• 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	• 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 • House construction • REIT management • Golf courses • Insurance agent and insurance broker • Domestic and international 3PL • Chartering

Textile Company

The starting point for our business is textiles. The Textile Company pursues added value and seeks to seize the initiative in all fields of the textile industry.

President, Textile Company
Masahiro Okafuji

DEAN & DELUCA Nagoya store

BUSINESS OVERVIEW AND STRENGTHS

From its origins in linen trading, the Company's business now ranges from fashion to hi-tech fibers, with a product mix that spans apparel, accessories, interior fabrics, and industrial textiles. The Company's basic management policy is to exploit marketing strength in the operating areas that extend from the procurement of raw materials to the delivery of finished products. We continuously strive to strengthen our brand business, to optimize materials, procurement, production, and sales, and to cultivate new businesses.

In terms of revenue and earnings and our operational development capability, the Company has a position of overwhelming strength among general trading companies in the textile industry. This strong position can be explained by our flexible creativity and foresight, which allow us to continually define new business models, such as pioneering downstream markets and building a firm foundation in advance of competitors.

In the brand business, we have built up an unassailable position based on an innovative business model that encompasses a wide range of areas. We conduct importing and licensing activities, and we supply products from our own manufacturing bases. We also work to expand both sales channels and product lineups. Furthermore, we pursue the long-term stabilization of trademark rights through tie-ups and M&A activities and aggressive business development ahead of competitors in the Asian market.

Our marketing excellence in introducing and cultivating valuable brands is unmatched. We intend to refine such excellence even further and solidify our position in the brand business. Our fundamental strength also lies in the breadth of our operations—from raw materials to finished products, industrial textiles, and advanced technology—and in our advanced global network.

Paul Smith New York store

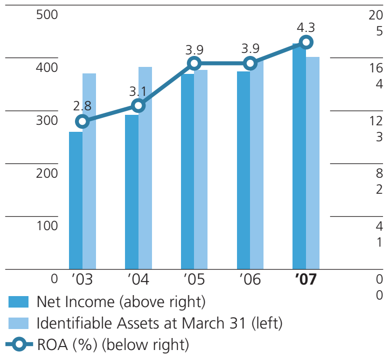
BUSINESS PERFORMANCE IN FISCAL 2007

The domestic textile industry continued to contract overall, but new market opportunities began to emerge. Many of these opportunities center on casual wear and accessories for baby boomers, who are now retiring in large numbers. The apparel products and distribution sectors saw stepped-up corporate restructuring and M&A activity, in some cases with investment funds. The global trade environment for textiles was volatile as the Euro and Chinese renminbi appreciated, labor costs soared in China, and quota restrictions on imports to the United States were lifted.

In this environment, the Company set the following priorities: seize opportunities for new businesses; grow revenue and earnings of subsidiaries and associates; increase revenue and earnings in overseas operations; and strengthen risk management.

In seizing opportunities for new businesses, we are placing emphasis on the development of our brand business and advanced technology. We proceeded with application development based on exclusive sales rights for the curved-surface printing technology developed by venture company Shuhou Co., Ltd. Such applications included sales of

Net Income /
Identifiable Assets / ROA



Financial Highlights

(Billions of Yen)

Years ended March 31	2003	2004	2005	2006	**2007**
Gross trading profit	¥ 93.5	¥100.3	¥112.8	¥122.9	**¥124.6**
Net income	10.4	11.7	14.8	15.0	**17.1**
Identifiable assets at March 31	370.8	382.7	377.2	395.4	**401.8**
ROA (%)	2.8	3.1	3.9	3.9	**4.3**

Net Income from Major Group Companies

(Billions of Yen)

Years ended March 31	2005	2006	**2007**
Prominent Apparel Ltd.	¥0.2	¥0.0	**¥0.6**
Tommy Hilfiger Japan Corporation	0.6	0.6	**0.7**
JOI'X CORPORATION	0.8	1.2	**1.1**

LeSportsac Shanghai flagship store

related decoration technology to major Japanese mobile phone makers. In February 2007, we strengthened our business relationship with Shuhou Co., Ltd., when the company made a third-party allocation of shares to ITOCHU. This move will enhance the operational foundation for application development targeting automobile interiors and sporting goods as well as for global sales expansion. In the inkjet printing business, InkMax Co., Ltd., completed facilities for the mass production of anhydrous dyes in collaboration with Tsuyakin Kogyo Co., Ltd., MITSUBISHI PENCIL CO., LTD., Tokai Senko K.K., and Toshin Kogyo Co., Ltd. Further, we reached an agreement with Outlast Technologies, Inc., of the United States, and Outlast Asia, LLC., that gives us exclusive import, production, and sales rights as well as exclusive trademark rights for Outlast temperature-adaptive materials.

In accordance with the mid-term management plan Frontier-2006, we pursued initiatives to strengthen vertical linkage and promote horizontal integration. In strengthening our vertical linkage, we entered into the previously mentioned agreement with Outlast Technologies, Inc., and worked to develop textile applications for the processed material Platinacron, which uses platinum nanocolides. To promote horizontal integration, we are exploring ways to expand applications of the silver fiber Mu-func with the Chemicals, Forest Products & General Merchandise Company.

Our investments in the brand business showed favorable results, and LeSportsac, Paul Smith, and FILA brands all contributed to the Company's results. In addition, major subsidiaries and affiliates, including Tommy Hilfiger Japan Corporation and JOI'X CORPORATION, posted strong performances.

As a result, in the fiscal year ended March 2007, gross trading profit increased ¥1.8 billion from the previous fiscal year, to ¥124.6 billion. Net income rose ¥2.1 billion, to ¥17.1 billion, representing the Textile Company's sixth consecutive year of increased net income.


Example of curved-surface printing for mobile phones by Shuhou Co., Ltd.

NEW MID-TERM MANAGEMENT PLAN STRATEGIES

In Japan, the textile market peaked in 1992, and it has been contracting ever since. To expand our operations in this severe environment, it is necessary to pioneer new business sectors. To that end, we are aggressively implementing M&A activities, the acquisition of trademark rights, and management participation in the brand and apparel fields. Further, we are exploring and developing differentiated advanced technologies.

We will accelerate our business development in overseas markets, such as in China and elsewhere in Asia, focusing on the brands for which we have acquired rights through M&A activities or management participation.

Machinery Company

Seeking to contribute to both local communities and international society, the Machinery Company develops its overseas operations in the fields of automobile, ship, plant, construction machinery, industrial machinery related and other businesses with the strong support of the ITOCHU global network. Concern for the environment is a priority as we develop machinery-related businesses in such fields as water resources, the environment, renewable energy, and alternative energy sources.

President, Machinery Company
Takanobu Furuta

Jointly owned LNG carrier intended for Algeria

BUSINESS OVERVIEW AND STRENGTHS

The Machinery Company is composed of the Plant & Project Division, the Automobile Division, and the Industrial Machinery & Solution Division.

The Plant & Project Division covers business in gas, petrochemicals, electric power, railway, transport, infrastructure, ships, environment-related products, and other areas. In these fields, the division delivers services with high added value as it develops new projects, undertakes EPC*1 business and project finance, and makes capital investments. The division also conducts business in water resources and environment-related equipment as well as activities related to renewable and alternative energy.

The Automobile Division works through the ITOCHU global network and with strategic partners to develop and expand its various automobile-related operations, including wholesale, retail, finance, and distribution, in such major markets as Europe, the United States, Asia, and Japan.

The Industrial Machinery & Solution Division is striving to become a highly skilled group that promotes industrial growth on a global scale. The division is engaged in the wholesale and retail trade of construction machinery and overseas project development. The division also handles a wide variety of products distinct from the other divisions. The division's overall strength lies in steadily meeting customer needs through ties with ITOCHU Group companies.

The Machinery Company has a long history of trading and business investment in overseas markets. About one-third of our personnel are stationed at overseas branches and subsidiaries. We pursue business actively not just in the major U.S. and Asian markets but also in the BRICs and other emerging markets. Our highly efficient management ensures an ROA that is among the highest for general trading companies in the machinery industry. We are striving to allocate resources to priority areas with the aim of achieving even higher revenue and earnings.

*1 EPC: Engineering, Procurement & Construction

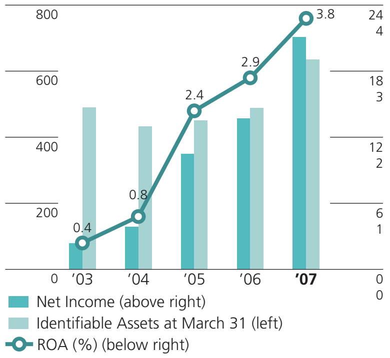
Construction machinery delivered for mines in Mongolia

BUSINESS PERFORMANCE IN FISCAL 2007

The business environment was generally favorable. Automobile sales expanded in North America as well as in Russia, the Commonwealth of Independent States, and other emerging markets. Global demand for construction machinery expanded, trade in the ship market was brisk, and there was an increase in the number of environment-related projects.

In this environment, while leveraging our highly efficient management, we reallocated management resources to key areas and accelerated the shift to aggressive business. As we nurtured the development potential of our operating companies, we moved into new business areas and implemented large-scale strategic investment, including M&A.

Net Income / Identifiable Assets / ROA



Financial Highlights

(Billions of Yen)

Years ended March 31	2003	2004	2005	2006	**2007**
Gross trading profit	¥ 48.6	¥ 51.1	¥ 58.0	¥ 69.5	**¥ 90.5**
Net income	2.4	3.9	10.5	13.7	**21.1**
Identifiable assets at March 31	490.1	433.6	451.4	489.0	**635.8**
ROA (%)	0.4	0.8	2.4	2.9	**3.8**

Net Income (Loss) from Major Group Companies

(Billions of Yen)

Years ended March 31	2005	2006	**2007**
ITOCHU Sanki Corporation	¥0.3	¥0.4	**¥ 0.4**
ITOCHU CONSTRUCTION MACHINERY CO., LTD.	0.3	0.4	**0.7**
MCL Group Limited	0.2	0.4	**(0.4)**
ITOCHU Automobile America Inc.	1.1	1.1	**1.2**
Century Leasing System, Inc.	1.1	1.3	**1.6**

Isuzu Motors' new-type *ELF*, winner of Good Design Award in fiscal 2007

In the Plant & Project Division, ship orders increased supported by the strong ship market. In the United States, we made a joint investment with Starwood Energy Group Global, LLC, in the North American IPP*2 CalPeak. We also concluded a financing agreement with Petroleo Brasileiro S.A. for the modernization of its REVAP oil production plant.

In the Automobile Division, we deepened our alliances with strategic partners. We strengthened our capital partnership with Isuzu Motors Limited by acquiring all of Isuzu Motors' preferred stocks and replacing those stocks with a prescribed number of common stock. We also established Isuzu Network Company Limited, to strengthen domestic operations, and Isuzu Finance of America, Inc., a captive sales finance company for Isuzu products in North America. We acquired stocks in Akebono Brake Industry Co., Ltd., to enter into a capital tie-up targeting increased sales of Akebono Corporation's products both domestically and overseas, centered on North America.

In the Industrial Machinery & Solution Division, we strengthened our construction machinery business through the acquisition of Midlantic Machinery, Inc., the North American dealer for Komatsu's construction machinery. Further, the Company has successfully become one of five companies participating in a joint venture for the East West Highway construction project East Construction Area (399km) in Algeria. This project is the largest overseas social infrastructure project to be undertaken by Japanese companies, with estimated construction costs of approximately ¥540 billion.

In addition to leveraging our vertical linkage as outlined above, we engaged in measures to promote horizontal integration. We worked with other Division Companies to undertake the East West Highway construction project in Algeria. Also, as part of efforts to explore alternative energy sources, we formed a solar cell business development group with the Energy, Metals & Minerals Company.

As a result, in the fiscal year ended March 2007, gross trading profit was up ¥20.9 billion from the previous fiscal year, to ¥90.5 billion. Net income rose ¥7.5 billion, to ¥21.1 billion, due in part to such special factors as gains from sales of marketable securities.

*2 IPP (Independent Power Producer): An independent business operation in which private companies construct and operate power-generating facilities and sell power to electric utilities for retail customers.

Algeria East West Highway

NEW MID-TERM MANAGEMENT PLAN STRATEGIES

We plan to expand earnings through stepped-up investment in the following areas: automobile-related business; the environment, energy conservation, and alternative energy sources (solar cells); and IPPs, water resources, railway, transport, and infrastructure. At the same time, we will enhance our key strength of highly efficient management by accumulating high-quality assets through investing in profitable projects. We will also reinforce management through strengthened risk management.

Aerospace, Electronics & Multimedia Company

As a leading player in each of its fields of business, including aerospace, IT solutions, and multi-channel media, the Company is targeting further growth by leveraging its DNA—the unique nature of the Company that has driven its continuous aggressive development of new businesses in past decades.

President, Aerospace, Electronics & Multimedia Company
Shigeki Nishiyama

"European Helicopter" sold by EuroHeli Corporation

BUSINESS OVERVIEW AND STRENGTHS

The Aerospace, Electronics & Multimedia Company comprises the Aerospace & Electronic Systems Division, the IT & Business Solutions Division, and the Media Business Division. We are involved in a wide range of businesses, including aerospace, IT solutions, e-business, mobile phone distribution, and video content media. Our aim is to strengthen our core businesses first, which contribute to the continuous expansion of our net income, and then to focus on new business development that will create additional profit in the near future. To those ends, we clarify strategy in each business sector and allocate resources properly and efficiently.

In the aerospace business, we enjoy a high domestic market share in compact jet, helicopter, and avionics* sales through the operations of Group companies ITOCHU AVIATION CO., LTD., JAPAN AEROSPACE CORPORATION, and EuroHeli Corporation. In the IT solutions business, ITOCHU Techno-Solutions Corporation (CTC), formed in October 2006 through the merger of ITOCHU TECHNO-SCIENCE Corporation and CRC Solutions Corp., is an industry leader, with a business model that integrates overseas advanced technology products and our systems development capabilities and maintenance services. In the e-business, Excite Japan Co., Ltd., is expanding the scope of its business in the specialist field of web portal services. In mobile & contents, we offer a range of services through ITC NETWORKS CORPORATION, which boasts an impressive track record in mobile phone sales, NANO Media Inc., which distributes content to mobile phones, and On Demand TV, Inc., which provides online video-on-demand (VOD) distribution services through FTTH.

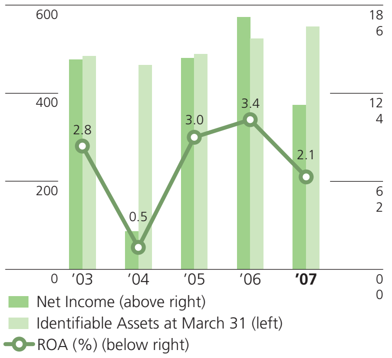
* Avionics: Electric equipment for aviation and space use

Excite portal site

BUSINESS PERFORMANCE IN FISCAL 2007

The business environment in the domestic air transportation industry did not turn positive. Although passenger numbers increased, supported by Japan's economic recovery, the industry was affected by several negative factors. Crude oil prices remained at a high level, and the emergence of discount airlines forced airfares down. In contrast, trends in the IT industry were generally positive. Investment in information systems expanded, spurred by the new Corporate Law in Japan and the Japanese version of the Sarbanes-Oxley Act. In addition, the increasingly wide diffusion of FTTH encouraged the expansion of online broadband broadcasting. The mobile & contents market was also buoyant, supported by the start of number portability. New business opportunities arose from the rapid adoption of one-segment digital terrestrial broadcasts and the

Net Income / Identifiable Assets / ROA



Financial Highlights

(Billions of Yen)

Years ended March 31	2003	2004	2005	2006	**2007**
Gross trading profit	¥101.5	¥105.5	¥108.4	¥116.4	**¥133.5**
Net income	14.3	2.6	14.4	17.2	**11.2**
Identifiable assets at March 31	484.3	464.3	489.4	524.7	**551.2**
ROA (%)	2.8	0.5	3.0	3.4	**2.1**

Net Income from Major Group Companies

(Billions of Yen)

Years ended March 31	2005	2006	**2007**
ITOCHU Techno-Solutions Corporation*	¥6.1	¥6.6	**¥7.4**
ITC NETWORKS CORPORATION	2.3	2.1	**1.8**
Excite Japan Co., Ltd.	0.4	0.6	**0.2**
SPACE SHOWER NETWORKS INC.	0.1	0.2	**0.2**

* The net income of ITOCHU Techno-Solutions Corporation includes that of former CRC Solutions Corp.

CTC data center

diffusion of payment systems on mobile phones. In the Life & Healthcare sector, demand increased for preventive medicine and healthcare products.

In this setting, we continued to strengthen existing businesses and started new businesses. In IT solutions, CTC, newly created through the merger of two Group companies, expanded our earning base. Also, the launch of VOD services by On Demand TV, Inc., a joint venture with NTT, is expected to bring large returns in a couple of years.

We expanded our business domain in the mobile field. ITC NETWORKS CORPORATION acquired Idomco Communications, a second-tier mobile phone retailer, thereby broadening our operational base in mobile phone distribution. Further, Asurion Japan K.K. began the provision of insurance and warranty services for mobile phones.

The mid-term management plan Frontier-2006 positioned the Life & Healthcare sector as a future pillar of earnings. We formed Wellness Communications Corporation, which provides services that allow employees to schedule medical examinations and view health-check results via the Internet. In addition, we established a second PET Center for cancer examinations for preventive medicine.

As a result, in the fiscal year ended March 2007, gross trading profit increased ¥17.1 billion from the previous fiscal year, to ¥133.5 billion, supported by strong performances in IT solutions and mobile phone distribution. Net income decreased ¥6.0 billion, to ¥11.2 billion, reflecting the initial public offering of two subsidiaries in the previous fiscal year.

NEW MID-TERM MANAGEMENT PLAN STRATEGIES

Our specific challenges under the new mid-term management plan are to accelerate growth in our core businesses, centered on CTC, ITC NETWORKS CORPORATION, Excite Japan Co., Ltd., NANO Media Inc., and the aviation subsidiaries; to turn our upfront investments in VOD and the Life & Healthcare sector into sources of profit; and to pioneer new business sectors continuously.

On Demand TV, Inc., VOD service

Energy, Metals & Minerals Company

The Energy, Metals & Minerals Company aims to participate in global economic development through expansion of its synergetic activities in "natural resource development" and "trading." At the same time, taking a longer-term perspective, we are also accepting the challenge of the shifting paradigm of new environmentally friendly businesses, such as greenhouse gas emissions credit trading, solar energy, dimethyl ether (DME), and bio-ethanol.

President, Energy, Metals & Minerals Company
Yoichi Kobayashi

Newlands Coal Mine in Australia
Courtesy of Xstrata Coal Queensland Pty Limited

Offshore platform of the Central Azeri Oil Field
Courtesy of AIOC

BUSINESS OVERVIEW AND STRENGTHS

The Energy, Metals & Minerals Company's fundamental strategy is to expand the revenue base through a synergetic approach between "natural resource development" and "trading." Natural resource development is our highest priority, and we are actively increasing our investment portfolio in attractive projects. In addition, we seek to enhance profitability through the creation of value chains supported by natural resources obtained through our own projects.

The focus of our mineral resources and coal businesses is growth of our revenue base centered on active expansion of our investment portfolio, including iron ore development in Australia, alumina refining projects in Australia, and coal mining projects in Australia and Indonesia. At the same time, we will continue to expand our trading activities in these commodities.

In the steel industry, Marubeni-Itochu Steel Inc., a major steel products distributor, handles the fabrication, logistics, and sales of products as well as solutions and service functions for customers through its more than 100 domestic and overseas subsidiaries and associates.

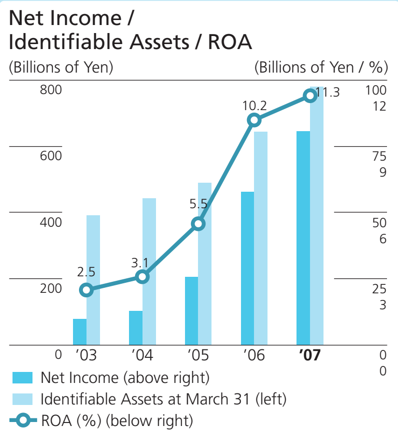
The Company's energy trading and energy resource development is growing in a broad base of commodities and regions, including oil and gas development projects in Azerbaijan, the U.K. North Sea, and Sakhalin; LNG projects in the Middle East; and natural gas development projects in North America. We are also increasing our global trading of crude oil and petroleum products, LNG, LPG, and natural uranium.

Additionally, we are seeking to advance new environmentally friendly businesses, such as the trading of greenhouse gas emission credits, solar energy, coal gasification and liquefaction, DME, and bio-ethanol.

The Company's strengths include a highly profitable investment portfolio in mineral resources, coal, and energy resources that is well balanced in terms of products, geographic distribution, and investment partners. These strengths are enhanced by the trade revenue provided by our Group companies in key industries, such as Marubeni-Itochu Steel Inc. in steel products and ITOCHU ENEX CO., LTD., and ITOCHU Petroleum Japan Ltd. in energy trading.

BUSINESS PERFORMANCE IN FISCAL 2007

The Company's performance in the fiscal year benefited from continuous high prices of the commodities that were handled, such as crude oil, iron ore, and coal. Our equity holdings in these assets expanded along with the revenue from these businesses. However, the high price environment also meant high operating costs at our projects, which had a negative impact on revenue. Further, the high price of natural resource assets has impaired opportunities for new resource acquisitions.



Financial Highlights

(Billions of Yen)

Years ended March 31	2003	2004	2005	2006	**2007**
Gross trading profit	¥ 33.0	¥ 24.7	¥ 39.1	¥ 73.9	**¥102.1**
(Metals & Minerals)	19.2	14.4	25.8	48.2	**46.5**
(Energy)	13.8	10.3	13.3	25.6	**55.6**
Net income	10.0	12.9	25.7	58.0	**80.7**
Identifiable assets at March 31	391.6	443.7	491.0	644.4	**781.4**
ROA (%)	2.5	3.1	5.5	10.2	**11.3**

Net Income from Major Group Companies

(Billions of Yen)

Years ended March 31	2005	2006	**2007**
ITOCHU Non-Ferrous Materials Co., Ltd.	¥ 0.8	¥ 1.0	**¥ 1.2**
ITOCHU Petroleum Japan Ltd.	0.4	2.5	**5.1**
ITOCHU Minerals & Energy of Australia Pty Ltd	13.9	25.9	**28.9**
ITOCHU Oil Exploration (Azerbaijan) Inc.	2.0	5.2	**21.2**
Marubeni-Itochu Steel Inc.	9.7	15.9	**16.8**

Mt. Whaleback Iron Ore Mine in Western Australia

In response, we have accelerated our shift to aggressive business development through investment in highly profitable projects and assets. At the same time, we have improved our operations management and reinforced the risk management structure of our subsidiaries and associates.

With regard to specific activities undertaken in the fiscal year, in mineral resources and coal, we increased our revenue base by proceeding with the expansion of the iron ore project in Western Australia and continuing to expand investment in Australian coal mining projects. In energy resource development, production steadily increased in the ACG (Azeri-Chirag-Gunashli) Oil Field Development Project in Azerbaijan. We also invested in Qalhat LNG S.A.O.C. in Oman, entered into natural gas development in North America, and worked on new resource exploratory and development projects. In energy trade, we added Kansas Energy LLC, of the United States, a company that handles natural gas sales within the United States, to our global trade network of crude oil and petroleum products. We expect this to create added synergy with our natural resource development businesses. For new energy sources, we strengthened our linkages with other Division Companies within ITOCHU. These activities included investment in NorSun AS, of Norway, a company that produces silicon wafers for solar cells, and the start-up of a pre-feasibility study for a bio-ethanol project in Brazil.

As a result, in the fiscal year ended March 2007, gross trading profit increased ¥28.2 billion from the previous fiscal year, to ¥102.1 billion. Net income rose ¥22.7 billion, to ¥80.7 billion.

NEW MID-TERM MANAGEMENT PLAN STRATEGIES

Under the Frontier+ 2008 mid-term management plan, we will seek to strengthen our core businesses internationally. This will be achieved by expanding our equity interests in natural resource development projects, strengthening our value chains through such activities as M&A, and training employees to manage our global network. Further, we will develop and commercialize new energy businesses, such as solar energy, DME, and bio-ethanol, as well as environment-related fields, such as greenhouse gas emissions credit trading and resource recycling.

Truck running on environmentally friendly DME

Chemicals, Forest Products & General Merchandise Company

The Chemicals, Forest Products & General Merchandise Company has built solid value chains in diverse industries, ranging from upstream—raw materials—to downstream—finished products. We are developing businesses from a global perspective to precisely meet customer needs.

President, Chemicals, Forest Products & General Merchandise Company

Yosuke Minamitani

CENIBRA, Brazil

Home construction site in North America; materials supplied by PrimeSource Building Products, Inc., and other companies

BUSINESS OVERVIEW AND STRENGTHS

The Chemicals, Forest Products & General Merchandise Company is divided into two divisions. The Forest Products & General Merchandise Division supplies building materials, lumber, pulp, paper, rubber, tires, glass, and cement. In the Chemicals Division, operations cover organic and inorganic chemical products, synthetic resins, electronic materials, and pharmaceuticals.

The Company's principal strategies are to make a fresh commitment to the upstream sector and to continue the deployment of management resources in midstream and downstream retail sectors. Based on these strategies, we provide materials to diverse industries upstream and deliver final products to customers downstream, thereby meeting a wide range of customer needs.

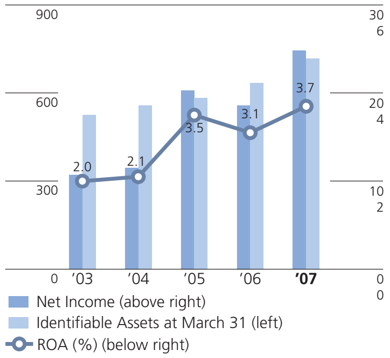
The Forest Products & General Merchandise Division maintains the top position among general trading companies in terms of consolidated net income. This commanding position is due to a highly competitive group of subsidiaries and associates. In building materials, we have a powerful group of companies, including PrimeSource Building Products, Inc., our highly profitable North American subsidiary, and ITOCHU Kenzai Corp., which is based in Japan. In forestation, pulp manufacturing, and trading, we have built a broad value chain. This chain starts from our overseas forestation business in Australia and extends to Celulose Nipo-Brasileira S.A. (CENIBRA) in Brazil, which has built an environmentally friendly, sustainable operation with logs 100% obtained from its own forestation, and to our paper sales company in Japan, ITOCHU Pulp & Paper Corp. Our rubber and tire operations are also based on a value chain that spans the largest natural rubber procurement and processing business among general trading companies as well as the wholesale and retail of tires in Japan, the United States, and Europe.

The Chemicals Division's fundamental policy is to create a broad portfolio of chemical products, from upstream to downstream, and to build up profitable assets in each sector. The division handles a diverse range of products, from highly competitive raw materials to pharmaceuticals and electronic materials. The division has a global sales network for general-purpose synthetic resins, and in China, where demand for polyester fiber raw materials is growing rapidly, it moved in advance of competitors to establish a manufacturing operation. We also moved positively in the retail sector and entered such new business areas as pharmaceuticals, life & healthcare, and bio-science. We have a powerful group of subsidiaries and associates that ensure our top profitability among general trading companies. C.I. KASEI Co., Ltd., and TAKIRON Co., Ltd., manufacture high-value-added plastic products, while ITOCHU CHEMICAL FRONTIER Corporation and ITOCHU PLASTICS INC. cover a variety of fields, from organic chemical products to pharmaceuticals and from synthetic resins to electronic materials.

BUSINESS PERFORMANCE IN FISCAL 2007

The Company had to contend with a number of negative factors in the fiscal year under review. The North American housing market slowed and production costs in the overseas pulp manufacturing industry increased. Raw materials and fuel costs also rose,

Net Income / Identifiable Assets / ROA



Financial Highlights

(Billions of Yen)

Years ended March 31	2003	2004	2005	2006	**2007**
Gross trading profit	¥ 87.1	¥ 91.9	¥105.9	¥111.1	**¥126.2**
(Forest Products & General Merchandise)	56.1	59.7	70.4	72.7	**79.4**
(Chemicals)	31.0	32.3	35.5	38.4	**46.8**
Net income	10.7	11.5	20.3	18.6	**24.8**
Identifiable assets at March 31	524.6	557.4	583.7	634.3	**716.8**
ROA (%)	2.0	2.1	3.5	3.1	**3.7**

Net Income from Major Group Companies

(Billions of Yen)

Years ended March 31	2005	2006	**2007**
ITOCHU Kenzai Corp.	¥1.5	¥0.8	**¥2.4**
ITOCHU Pulp & Paper Corp.	0.5	1.1	**0.8**
ITOCHU CHEMICAL FRONTIER Corporation	1.2	1.3	**1.8**
ITOCHU PLASTICS INC.	1.8	2.6	**3.2**
PrimeSource Building Products, Inc.	7.5	7.7	**7.4**

SHOWA ALUMINUM POWDER K.K. headquarters

while a deteriorating price structure in the LCD TV market triggered the consolidation of inventories of electronic materials. However, these factors were balanced by several positive factors. In Japan, the housing market was robust, supported by generally strong economic conditions and an anticipated rise in interest rates. Favorable conditions prevailed in the global pulp, natural rubber, and chemical products markets and demand for chemical products increased in Asia, led by China.

In this environment, the Company's priority strategies were to improve overseas earnings and to expand profit in key segments. In tackling these priorities, we took various initiatives from the perspectives of strengthening our vertical linkage and promoting horizontal integration.

As part of efforts to strengthen vertical linkage, the Company bolstered its North American building materials operations through the acquisition of Terminal Commercial Company DBA Pacific Steel & Supply by PrimeSource Building Products, Inc., and the acquisition of Galleher Corporation, a flooring distributor.

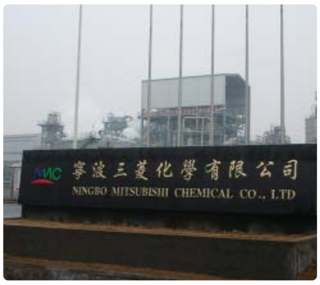
In forestation, pulp manufacturing and trading, our core strategic company, CENIBRA, raised its annual production capacity by 200,000 tons, a major step toward realizing the Company's goal of becoming the world's top pulp trader.

In one of the Company's key areas of expertise, synthetic fiber raw materials, joint venture Ningbo Mitsubishi Chemical Co., Ltd., started up production of high purified terephthalic acid (PTA) in China. Also, the Company moved to strengthen its activities in the North American adhesive market by acquiring the U.S. adhesive maker The Reynolds Company. Domestically, the Company acquired SHOWA ALUMINUM POWDER K.K. as part of its efforts to expand the metallic paints business.

In addition to strengthening vertical linkage, the Company also worked to promote horizontal integration through initiatives with other Division Companies. For example, it carried out a joint pre-feasibility study on bio-ethanol fuel with three other Division Companies and reinforced its involvement with the Food Company in the convenience store wrapping materials business.

Moreover, the Company embarked on a number of initiatives to create new businesses. In an agreement with Shimane Prefectural authorities, ITOCHU Forestry Corp. collaborated with a local general contractor to develop a benthic zone purification system.

As a result, in the fiscal year ended March 2007, gross trading profit increased ¥15.1 billion from the previous fiscal year, to ¥126.2 billion. Net income rose ¥6.1 billion, to ¥24.8 billion.



Ningbo Mitsubishi Chemical Co., Ltd., produces 600,000 tons of PTA annually.

NEW MID-TERM MANAGEMENT PLAN STRATEGIES

Frontier+ 2008 calls for the strengthening of core businesses and the acceleration of overseas development. Specifically, the Company will implement a growth strategy in the North American building materials market, expand global pulp trade, secure stable earnings through its global tire sales network, and promote activities in the rubber processing industry. It will also invest to secure profits in large-scale petrochemical business and strengthen its overseas operations in synthetic resins. At the same time, we will take steps to develop new businesses in such areas as life & healthcare, the environment, and new energy-related fields, including the bio-ethanol business.

Food Company

The Food Company is working on the global promotion of its Strategic Integrated System, a supply and demand system based on customer needs, while continuing its mission to be the leading company in the domestic food industry.

President, Food Company
Shigeharu Tanaka

NIPPON ACCESS, INC.'s Hiroshima Low Temperature Center

Kyushu Medical Center, an example of FamilyMart's new strategy

BUSINESS OVERVIEW AND STRENGTHS

The Food Company boasts top-class profitability among general trading companies in the domestic food industry. Its global strategy centers on the establishment of a Strategic Integrated System (SIS), a supply and demand system based on customer needs that seamlessly links upstream food resource development and processing, midstream distribution, and downstream retail and sales.

In the food resources sector, by making effective use of our existing supply bases in North America, Asia, Australia, and Latin America and by enhancing the linkage between these centers with our retail sector, we are strengthening our global sales network.

In the manufacturing and processing sector, our domestic operations are mainly conducted by ITOCHU Sugar Co., Ltd., and ITOCHU Feed Mills Co., Ltd. Overseas, in China we have entered the soft drinks manufacturing sector with ASAHI BREWERIES, LTD., and Ting Hsin International Group (China). In Indonesia, we have formed a strategic partnership with Hagoromo Foods Corporation for the production and sale of canned marine products.

In the domestic food distribution sector, ITOCHU SHOKUHIN Co., Ltd., and NIPPON ACCESS, INC., have established the largest wholesale network in the country. This network allows for the distribution of food and food products in all temperature ranges nationwide. ITOCHU FRESH Corporation and Universal Food Co., Ltd., handle the distribution of fresh food and serve the restaurant sector.

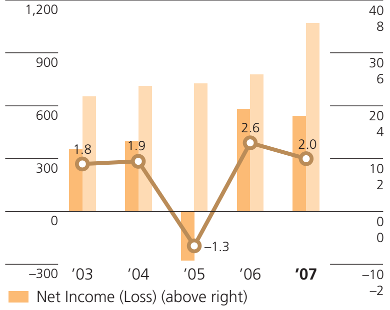
In the retail sector, FamilyMart Co., Ltd., one of Japan's leading convenience store chains, is at the core of our efforts to establish a system whereby customer needs are conveyed to the midstream and upstream sectors in a timely and accurate manner.

In addition, we are promoting comprehensive joint dealings with our business partner Uny Co., Ltd., mainly centered on the food wholesale business. The Food Company boasts the highest levels of profitability, positioning it second among general trading companies in terms of consolidated net income. Our strength lies in the solid base we have established for implementing our SIS strategy, whereby we build a supply and demand system based on customer needs in upstream, midstream, and downstream sectors. Upstream, the Company has established overseas supply bases for raw materials, such as the grain handling operations of U.S.-based CGB ENTERPRISES, INC. Midstream, we have constructed a nationwide distribution network for products in all temperature ranges. Meanwhile, in the downstream sector, which plays a central role in the SIS strategy, FamilyMart Co., Ltd., is one of the leaders in Japan's retail industry, and the Company is widely recognized for its excellence in each of its fields of operations.

BUSINESS PERFORMANCE IN FISCAL 2007

Companies in Japan's food industry continue to face a severe business environment as families have fewer children and the population ages. The resulting contraction in demand

Net Income (Loss) / Identifiable Assets / ROA



Financial Highlights

(Billions of Yen)

Years ended March 31	2003	2004	2005	2006	2007
Gross trading profit	¥130.1	¥130.9	¥136.2	¥142.6	**¥ 264.6**
Net income (loss)	11.9	13.3	(9.3)	19.4	**18.1**
Identifiable assets at March 31	654.4	711.6	728.0	778.8	**1,070.7**
ROA (%)	1.8	1.9	(1.3)	2.6	**2.0**

Net Income from Major Group Companies

(Billions of Yen)

Years ended March 31	2005	2006	2007
NIPPON ACCESS, INC.	¥0.7	¥0.5	**¥2.1**
Japan Foods Co., Ltd.	0.2	0.0	**0.1**
FamilyMart Co., Ltd.	4.0	4.3	**4.7**


River grain elevator of CGB Enterprises, Inc.

and oversupply situation is intensifying competition. At the same time, raw materials price rises have not been fully passed on to consumer prices, and the industry has recently seen restructuring through M&A and other activities. On the other hand, positive factors influencing the industry include steady increases in personal spending in China and other Asian countries.

In this environment, the Company is applying the SIS strategy to the domestic market as well as to overseas bases exporting to Japan. In addition, we accelerated the development of our global SIS strategy.

In the domestic food distribution sector, we made NIPPON ACCESS, INC., a consolidated subsidiary in June 2006 through a take over bid and merged it with Nishino Trading Co., Ltd., in April 2007. These moves both increased our scale of operations and strengthened our functions in the sector.

In China, as part of the ongoing SIS strategy, we made Shanghai-based general food wholesaler Shanghai Zhongxin Marketing Development Co., Ltd., a consolidated subsidiary in December 2006. Also, we established Shandong ASAHI Green Source High-Tech Farm Co., Ltd., a joint venture with Sumitomo Chemical Co., Ltd., and ASAHI BREWERIES, LTD. The new company will verify traceability and develop natural recycling agricultural technology to ensure the safe manufacture and supply of agricultural products to the Chinese market. We continued to deepen our strategic partnerships in China. The soft drinks manufacturing business formed with ASAHI BREWERIES, LTD., and Ting Hsin International Group (China) expanded steadily.

The transfer of NIPPON ACCESS, INC., to a consolidated subsidiary and its subsequent merger with Nishino Trading Co., Ltd., and the transfer of the Shanghai-based general food wholesaler to a consolidated subsidiary represent efforts to meet the Frontier-2006 goal of strengthening our vertical linkage. Among efforts to realize the plan's goal of promoting horizontal integration, we can cite our collaboration with other Division Companies in the Uny Group partnership, the bio-ethanol fuel project, and the project with SEIBU Railway Co., Ltd.

As a result, for the fiscal year ended March 2007, gross trading profit was up ¥122.1 billion from the previous fiscal year, to ¥264.6 billion. Net income decreased ¥1.3 billion, to ¥18.1 billion.


Soft drink factory in China

NEW MID-TERM MANAGEMENT PLAN STRATEGIES

In accordance with Frontier+ 2008, we will move forward with the application of our SIS strategy in the domestic market as well as at overseas bases exporting to Japan. In addition, we will develop the SIS strategy for overseas markets, especially in China and other Asian countries. We will also create value-added businesses that can deliver higher-quality and functional foods and endeavor to turn them into profit-generating operations.

Finance, Realty, Insurance & Logistics Services Company

Among general trading companies, the Finance, Realty, Insurance & Logistics Services Company's four divisions all have a strong presence in their respective sectors. By capitalizing on our strengths in diverse fields and delivering creative services to customers, we aim to expand consolidated net income.

President, Finance, Realty, Insurance & Logistics Services Company
Takao Shiomi

Social contribution credit cards of Orient Corporation
1. *Pink Ribbon Card*
2. *MOTTAINAI Card*

i-LOGISTICS CORP.

Domestic and international 3PL

BUSINESS OVERVIEW AND STRENGTHS

The Company is composed of the Financial Services Division, the Construction & Realty Division, the Insurance Services Division, and the Logistics Services Division.

The Financial Services Division leverages the uniquely broad business range of a general trading company to offer services in financial markets, corporate solutions, and retail finance.

The Construction & Realty Division continues to bolster its housing development and management operations and, through the use of real estate securitization, is expanding into rental estate, logistics facilities, and commercial facilities.

The Insurance Services Division is actively developing its core insurance agency and brokerage businesses, both domestically and internationally. Also, the division has recently expanded the scope of its activities to reinsurance and the insurance underwriting business. It aims to establish a wide-ranging value chain that stretches from reinsurance to intermediation services.

The Logistics Services Division develops businesses in the fields of global logistics solutions and global logistics infrastructure. Through these operations, it offers seamless, high-value-added logistics functions linking "people, goods, money, and information."

Each division has unique strengths. In the Financial Services Division, we moved into the retail sector early on, and we now have an overwhelmingly strong position among general trading companies. Moreover, our expertise in foreign exchange trading and asset management is highly regarded within the financial services industry. In the private equity business, our tie-ups with other Division Companies allow us to offer a wide range of services.

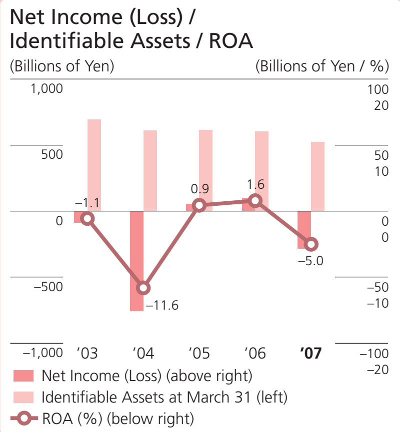
In the Construction & Realty Division, we are pursuing real estate securitization, a field where general trading companies have unique strengths.

In the Insurance Services Division, in addition to our expertise acquired in the non-life insurance business, we have also enhanced our strength in the area of life insurance, through the integration of Orico Trading Co., Ltd., into our insurance operations. We have the largest insurance brokerage network among Japanese companies operating abroad.

In the Logistics Services Division, the ITOCHU Group China Distribution Network covers the whole of China and offers a one-stop service, integrating domestic and international logistics.

BUSINESS PERFORMANCE IN FISCAL 2007

In the Financial Services Division, we established our credit card business strategy, leveraged the unique characteristics of ITOCHU Finance Corporation to provide integrated financial services, strengthened our dealings in the private equity business, and expanded our overseas development, centered on Asia. In our core retail finance sector, Famima Credit Corporation made solid progress in securing card holders, and the Famima Card is becoming a pillar of the credit card business in this sector. Orient Corporation (Orico) is positioned as a key element in the downstream portion of the consumer-related value chain. We worked with the Mizuho Financial Group to reform Orico's profit



Financial Highlights

(Billions of Yen)

Years ended March 31	2003	2004	2005	2006	**2007**
Gross trading profit	¥ 33.8	¥ 16.0	¥ 39.3	¥ 46.0	**¥ 43.3**
Net income (loss)	(8.4)	(75.6)	5.4	9.9	**(28.3)**
Identifiable assets at March 31	692.7	609.7	615.3	600.9	**524.9**
ROA (%)	(1.1)	(11.6)	0.9	1.6	**(5.0)**

Net Income (Loss) from Major Group Companies

(Billions of Yen)

Years ended March 31	2005	2006	**2007**
ITOCHU Finance Corporation	¥2.7	¥3.2	**¥ 2.3**
CENTURY 21 REAL ESTATE OF JAPAN LTD.	0.2	0.3	**0.4**
i-LOGISTICS CORP.	0.4	0.6	**0.4**
Orient Corporation	—	3.1	**(40.6)**
FX PRIME Corporation	(0.1)	0.3	**0.1**
eGuarantee, Inc.	0.0	0.1	**0.1**


eGuarantee, Inc., listed on JASDAQ during the fiscal year.

structure and took steps to increase synergies between Orico and other divisions and Division Companies.

In the Construction & Realty Division, we expanded our logistics fund, developed commercial facilities, and strengthened our tie-up with Singapore-based Mapletree Investments Pte. Ltd. Also, Advance Residence Investment Corporation, which is managed by our subsidiary rental residential REIT, carried out an initial increase the capital after its IPO, and further growth is expected.

In the Insurance Services Division, eGuarantee, Inc., which provides solutions for credit risk in commercial transactions and financial markets, listed on JASDAQ. Also, we invested in Shinsai Partners Inc., the first "small-amount, short-term" insurance company in Japan, and established a capital and operational tie-up.

In the Logistics Services Division, we focused on generating higher revenue and earnings through cooperation with i-LOGISTICS CORP., striving to strengthen domestic and international third-party logistics. We also promoted capital and operational tie-ups with companies that have a strong presence in the automobile logistics sector in central and eastern Europe.

Throughout the fiscal year, we strengthened our vertical linkage in accordance with Frontier-2006. In the Financial Services Division, we partnered with Orico in the establishment of Excite Credit Co., Ltd., and ASCLASS LSA Inc., as we integrated the respective networks and expertise of Orico and ITOCHU. We also invested in Rezon Capital Partners and the "China Mezannine Finance fund." In the Insurance Services Division, we integrated the insurance agency businesses of Orico Trading Co., Ltd., and ITOCHU Insurance Services Co., Ltd.

In the real estate securitization business of the Construction & Realty Division, we newly formed the Commercial Infrastructure fund, the Fukuoka residential fund, and the Supply Chain Infrastructure fund, and carried out the expansion of the business domain.

To strengthen horizontal integration, we cooperated with FamilyMart Co., Ltd., in promoting Famima Credit Corporation's card membership strategy and created the Orico-ITOCHU Synergy Book, whereby ITOCHU consumer-related goods and services are being provided to 670,000 Orico member stores nationwide.

Although we sold stocks held in the fiscal year ended March 2007, we were affected by Orico's loss provisions to cover future financial risk caused by the amendment of the Moneylending Control Law. Consequently, in the fiscal year ended March 2007, net income was down ¥38.2 billion from the previous fiscal year, to a net loss of ¥28.3 billion.

Advance Residence Investment Corporation

Rental residential REIT Advance Residence Investment Corporation

NEW MID-TERM MANAGEMENT PLAN STRATEGIES

In accordance with Frontier+ 2008, we intend to strengthen our retail finance business, centered on Orico, through our partnership with the Mizuho Financial Group. In funds and securitization businesses, we will focus on private equity and real estate securitization and strive to establish a firm position in the financial services industry. We will also exploit the comprehensive strengths of the Company in developing our overseas operations. Finally, we will work to raise revenue while strengthening risk-taking functions in our insurance and logistics businesses.