Enhancing Corporate Value on the World Stage, Shaping the Future

Frontier^e 2010

Special Features

ITOCHU
—Reviewing Foundations while Continuing Reform
Strengthening Financial Position and Upgrading Risk Management

ITOCHU
—Continuing to Take on Challenges to Shape the Future
Accelerating Overseas Business Development / Discovering and Building New Businesses

ITOCHU
—Reviewing Foundations while Continuing Reform

Strengthening Financial Position and Upgrading Risk Management

In order to overcome the current simultaneous worldwide recession and become *a truly global enterprise*, combining aggressive business strategies to expand and improve our earnings platforms with defensive measures to build our solid foundations is extremely important. ITOCHU will further strengthen its financial position and upgrade its risk management to earn trust as *a truly global enterprise*.

Tadayuki Seki
Managing Director, Chief Officer for Finance, Accounting, Risk Management; Chief Financial Officer

Strengthening Financial Position

Improving NET DER to Less than 2.0 Times as Our Top Priority

In fiscal 2009, net interest-bearing debt increased ¥102.2 billion year on year, to ¥1,756.8 billion, due to large-scale strategic investment. Further, yen appreciation and slumping stock market resulted in comprehensive income worsening, which caused ¥124.1 billion year-on-year decline, to ¥849.4 billion, in consolidated stockholders' equity. As a consequence, NET DER for fiscal 2009 was 2.07 times. Unfortunately, we could not achieve the Frontier+ 2008 target of NET DER of less than 1.7 times for fiscal 2009. ITOCHU regards net debt-to-equity ratio as an important indicator for the financial management. Accordingly, improvement of NET DER for the current fiscal year to less than 2.0 times was set as our highest priority. ITOCHU will strengthen our financial position by steadily accumulating earnings to enhance consolidated stockholders' equity while controlling interest-bearing debt.

Cash Flows

In principle, ITOCHU covers new capital expenditures for investment activities through cash flows from operating activities, which result from accumulation of earnings and the sale or disposition of assets. Any shortfall in case new investments are made upfront is covered by loans or bonds.

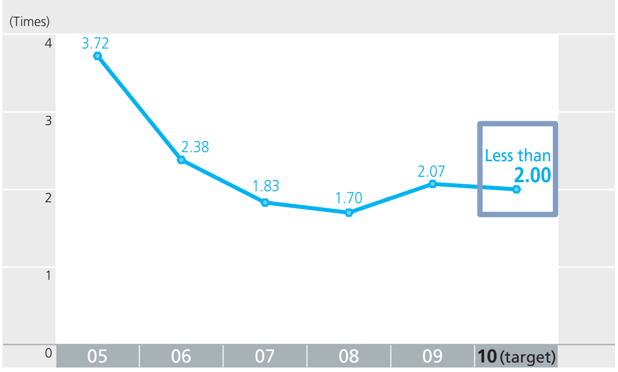
Based on that principle, we mostly maintained positive free cash flows until fiscal 2008. However, for fiscal 2009, large-scale strategic investments resulted in negative free cash flows. Under Frontier^e 2010, we are planning to keep free cash flow positive by promoting scrap and build for investment as well as enhancing quality of earnings.

Funding

Stable Funding and Lower Funding Costs

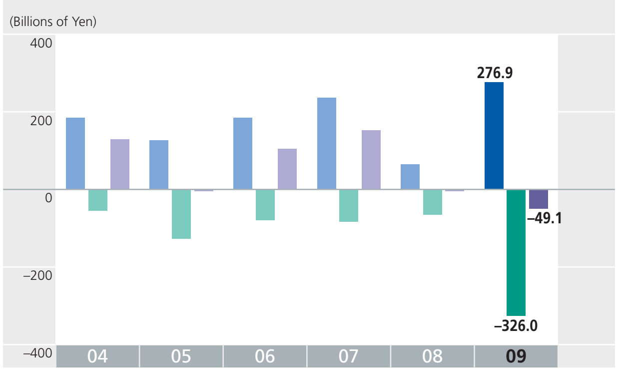
In the second half of fiscal 2009, ITOCHU made several major strategic investments. Despite deteriorating liquidity in financial markets, we were able to acquire stable funding primarily from indirect financial markets. This was attributed to long-standing

Recover NET DER to Less than 2.0 Times



Years ended March 31

Cash Flows



Years ended March 31
Cash Flows from Operating Activities
Cash Flows from Investing Activities
Free Cash Flows

and favorable relationships with various financial institutions. The successful operation of Group finance, which the Company has been developing since fiscal 2008 in order to consolidate funding of subsidiaries of ITOCHU, also contributed to our stable funding conditions. Although direct financial markets have seen challenging conditions, currently, funding conditions are improving even in long-term capital.

Under this uncertain outlook for business conditions, our funding policy gives first priority to securing "volume." Second, we will continue to concentrate on securing long-term funding based on consideration of funding stability and equalizing amortization over fiscal years. Moreover, we intend to diversify funding sources by using capital markets and syndicated loans. In addition, ITOCHU will expand the framework of Group finance globally, as well as in Japan and certain overseas regions, thereby stabilizing funding, improving capital efficiency, and lowering funding costs. ITOCHU has adequate reserves of liquidity. At the end of fiscal 2009, cash and cash equivalents stood at ¥632.6 billion and the Company had commitment line agreements with financial institutions of ¥400 billion and US$500 million.

Upgrading Risk Management

Strengthening Risk Management on a Consolidated Basis

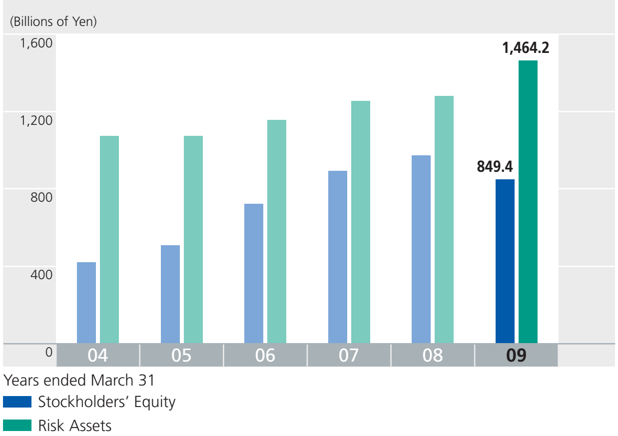
As a risk management method, ITOCHU uses risk assets, which express the maximum possible future loss that could arise. Our basic policy is to control comprehensively company-wide risk quantified by risk assets, which keeps increases in risk assets within the scope of increases in consolidated stockholders' equity and maintains a balance between risk assets and stockholders' equity from a medium-term perspective. We use RCM*1 methods, in which we categorize business areas according to the business sectors of division companies and the characteristics of invested businesses. Then, for each business area, we calculate the RRI*2, which is rate of return on risk assets, and use RRI as a basic indicator for assets distribution including exit strategy.

In distributing assets we not only seek efficiency based on RRI, but also aim to disperse our asset portfolio throughout the Natural Resources / Energy-Related Sector, Consumer-Related Sector, and Other Sector. We establish individual asset limits to avoid risk concentrations in particular business areas. In addition, risk management methods include setting country risk limits based on the political and economic situations of individual countries. ITOCHU will further develop these risk management methods while introducing them throughout the Group.

Also, we are undertaking the development and construction of ERM*3, which comprehensively controls the risk of the entire ITOCHU Group. By upgrading responses of the Group as a whole to various types of risks, ITOCHU will reinforce risk management frameworks to enable the Group to achieve sustainable growth and maximize corporate value.

*1 RCM: Risk Capital Management
*2 RRI: Risk Return Index
*3 ERM: Enterprise Risk Management

Stockholders' Equity / Risk Assets



ITOCHU
—Continuing to Take On Challenges to Shape the Future

Accelerating Overseas Business Development

ITOCHU is stepping up the pace of development of its overseas businesses to increase earnings from overseas businesses. In those efforts, we regard North America, China, and Asia as priority regions and view as focus regions resource-rich regions with growing economies and regions in which the ITOCHU Group has advantages over competitors.

From among those countries, this section spotlights China and Brazil as two countries that have outstanding potential in terms of both resources and domestic demand and in which ITOCHU has built up competitive advantages over its long history.

Toshihito Tamba
Executive Vice President, Chief Operating Officer, Overseas Operations

Establishing Strategic Foundations in China's Burgeoning Consumer Market

Focusing Consistently on China has Made Us the Country's Strongest Trading Company

Based on the conviction that, when diplomatic relations were restored, China's market would undoubtedly become a major source of trade, we made a variety of preparations to enter the market. In March 1972—half a year before the normalization of Sino-Japanese diplomatic relations—we became the first major general trading company to resume trade between Japan and China by obtaining formal ratification from China's State Council. Since then, we have steadily built our foothold in China's market by tirelessly pioneering new areas. In 1979, we opened a representative office in Beijing; in 1992, we established a trading subsidiary in Shanghai; in 1993, we obtained approval for an umbrella company; and in 2005, we obtained approval for a multinational company regional headquarters.

As a result of continuously concentrating management resources on China, we have developed one of the largest networks of bases among major general trading companies. Other consequent competitive advantages include an extensive network of personal contacts, alliances with major companies, and numerous personnel with extensive knowledge of China. Our present position as China's most powerful trading company is the fruit of such far-sightedness and a consistent emphasis on China.

Building Collaborative Relationships with Major Companies in the Consumer-Related Sector

Establishing Strategic Foundations with a View to Growth in Domestic Demand

The simultaneous worldwide recession has significantly affected China's exporting sector. However, economic stimulus measures that include proactive investment in infrastructure are likely to produce economic growth fueled by domestic demand. We believe that China will certainly be a driver of the global economy recovery. Although until now China's economy has grown on the back of exports, in our view heavier domestic demand will become the growth driver. ITOCHU has always analyzed and forecast structural changes in industries from a medium-to-long perspective and moved forward with farsighted initiatives accordingly. In response to the structural transformation of China's economy from growth thus far as "the world's factory" toward growth as a huge consumer market, we are steadily establishing stepping stones for future growth. Such initiatives include large-scale investments in the Consumer-Related Sector, in which we enjoyed particular strength, in fiscal 2009. Through these investments we have established partnerships with major companies, which are explained on the next page. Also, we are decisively pursuing business opportunities in China's interior, which has large growth potential. In addition to such coastal regions as the Yangtze delta, the Zhuhai delta, and Bohai Bay region, we are stepping up initiatives in the three north-eastern provinces and in the mid-western regions of China. Furthermore, not only are we going to develop our partnerships with major companies within China, we are also looking to develop these partnerships globally.

Milestones of ITOCHU's Engagement with China

1972	**First major trading company** to obtain ratification for the resumption of Sino-Japanese trade
1979	**First major trading company** to establish a representative office in Beijing
1992	**First major trading company** to establish local trading subsidiary in Shanghai
1993	**First major trading company** to acquire approval for an umbrella company
2005	**First major trading company** to acquire approval for a multinational company regional headquarters

ITOCHU's Strengths

- Creation of one of the largest networks of bases among major trading companies (seven local trading subsidiaries, six local trading sub-subsidiaries, four headquarters representative offices)
- Breadth of personal contacts network
- Close alliances with major local companies
- Insight and channels in relation to China (procurement sources, sales channels, risk management know-how)
- Large number of personnel with business expertise relating to China

Strengthening Our Partnership with the Ting Hsin Group

Establishing Strategic Foundations with Our Sights Set on 1.3 Billion Consumers

Even amid the simultaneous worldwide recession, China's market is expected to grow approximately 8% in fiscal 2009, buoyed by very strong consumer spending among the country's population of 1.3 billion. Among this population, in recent years we have seen a growing interest in luxury brands and concern about food safety that provides ITOCHU, which has strengths in the food business area, with a major business opportunity.

Positioning China's market at the center of a global SIS*1 strategy we are advancing in the food business area. In these efforts—based on close collaboration with domestic companies and major local partners—we will open up markets by taking advantage of superior expertise in such areas as food safety management and traceability. Extremely significant strides forward under this strategy was the decision we made in November 2008 to invest in TING HSIN (CAYMAN ISLANDS) HOLDING CORP. (Ting Hsin), and the business partnership we have built with this company.

Ting Hsin is the holding company of the Ting Hsin Group, which is China's largest food business group. Our aim in strengthening this business partnership through an approximately ¥68.9 billion investment, which represents a 20% stake, is to use our advanced management methods and Japan's outstanding food safety management and expertise in quality improvement to achieve differentiation in China's expanding market—which has increasing numbers of wealthy and middle-class consumers—and thereby heighten the corporate value of Ting Hsin. Further, ITOCHU intends to use Ting Hsin's operational platforms to develop a wide range of businesses in China and Taiwan's food distribution markets. Using this recent initiative as a springboard, we plan to develop a global SIS strategy that includes Asia and Australia.

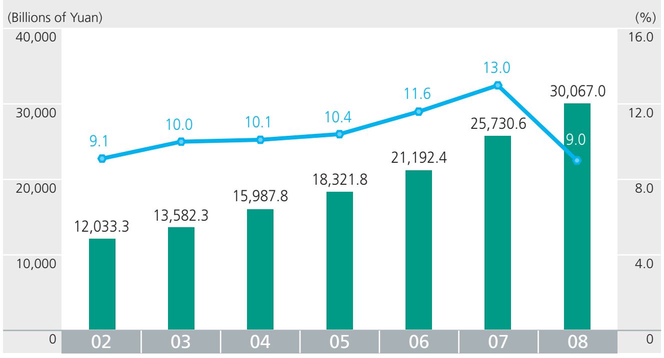
The Ting Hsin Group's Market Shares

Instant noodles	47.0%
Tea beverages	51.9%
Water beverages	15.4%
Crackers	25.6%

Restaurant business DICOS has approximately 900 restaurants in China and is the third-largest restaurant chain

*1 SIS: Strategic Integrated System, 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.

China's GDP



(CY)
Source: Chinese Government

Nominal GDP (left) Increase Year on Year (right)

At the signing ceremony

Building Relationships with a View to Global Business Development

Investing in the Shanshan Group

Amid the intensifying competition in China's textile business area, the key to heightening competitiveness lies in building relationships with partners that have solid sales and logistics networks and other infrastructure. This was our aim when we took a 28% stake in Shanshan Group Co., Ltd., which was originally focused on textile operations but has become one of China's foremost conglomerates—developing businesses in a broad range of areas, such as natural resources, energy, electronic components, food resources, finance, and real estate.

With this company, we will jointly build a group management system and, as a first step, in the textile business area we will leverage our expertise in management methods and brand businesses, advanced technology, and global networks to differentiate brand businesses and garment accessories. With an eye on global development in Europe and North America, ITOCHU will also deepen its partnerships with Shanshan by strengthening trading relationships in other business areas. Through these initiatives, our goal is to heighten Shanshan's corporate value.

At the signing ceremony

Strengthening Initiatives in Brazil

Targeting Significant Potential in Resources and Consumption

ITOCHU is focusing on Brazil because it combines natural resources and a growing consumer market. With abundant minerals and energy resources, Brazil is one of the world's richest countries in terms of natural resources. It is the largest exporter of such commodities as iron ore and soybeans. On the other hand, improvements in its job market and personal income is increasing consumer spending, which is driving the growth of Brazil's consumer market.

Further, Brazil's iron ore has an excellent reputation as the highest-quality iron ore in the world. Moreover, the country's crude oil reserves are increasing rapidly with ongoing discoveries of seafloor oil fields. Therefore, Brazil still has tremendous potential as an exporter of natural resources and energy. Also, the country has the capacity to export massive amounts of such food resources as soybeans and sugar cane thanks to its huge area of cultivatable land. As the world's largest exporter of bioethanol and with its rich water, solar, and agricultural resources, Brazil has the potential to become the world's factory for energies that provide an alternative to fossil fuels. We are concentrating on Brazil because it promises steady economic growth. With one of the most stable governments in South America, Brazil has sound fiscal and financial policies and abundant foreign currency reserves. Further, it has a unique industrial structure that not only incorporates primary commodities but also includes significant exports of such industrial products as aircraft and automobiles.

Pursuing Strategies to Tap Brazil's Potential

Exploiting the Advantages of a Track Record Spanning Half a Century

In Brazil, ITOCHU's competitive advantage rests on management resources cultivated over a long history and an extensive track record.

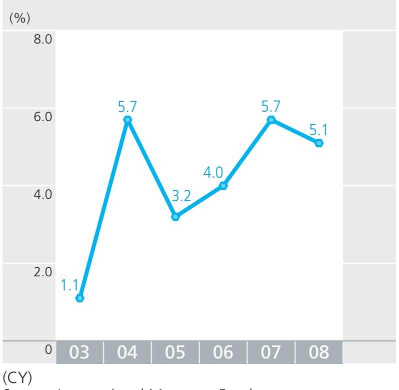
Establishing an overseas trading subsidiary in Rio de Janeiro in 1957 marked our entry into the Brazilian market. Recently, Brazil's growth potential has been a focus of attention. However, we made our initial foray into the country before the "Brazilian miracle" period of rapid economic growth, from the second half of the 1960s through to the first half of the 1970s.

Subsequently, 1970 saw ITOCHU participating in the MBR iron ore mining project as the organizing trading company of a consortium of steel producers and trading companies. Also, with support from the Japanese and Brazilian governments, we advanced numerous national projects with diverse partners and contributed to the building of economic relations between the two countries. For example, after jointly establishing the pulp manufacturer CENIBRA with a major Japanese paper manufacturer in 1973, we took part in a synthetic resins raw materials production operations and aluminum refining operations in 1974.

By harnessing the experience, business expertise, and multifaceted business relationships garnered through these projects, as well as personnel that are highly knowledgeable about Brazil's market, we expanded our business sectors through the development of businesses for iron ore, food resources, and oil resources.

Now, ITOCHU has further strengthened its footing in Brazil. In fiscal 2009, we participated in bioethanol production and sales operations through a joint venture with the Bunge Group. And, we acquired a stake in Nacional Minérios S.A. (NAMISA), a subsidiary of major Brazilian steel producer Companhia Siderúrgica Nacional (CSN), through a consortium of Japanese and Korean companies. Looking ahead, we will continue furthering initiatives to benefit from the expected growth of Brazil as a resource-rich country and a consumer market.

Brazil's GDP Growth



Source: International Monetary Fund

Bioethanol plant

Acquiring an Iron Ore Equity Interest in Brazil through a Japan-Korea Consortium

Establishing an Unshakable Position and a New Earnings Model in Iron Ore Operations

A consortium formed by ITOCHU, five major Japanese steel producers (JFE Steel Corporation, Nippon Steel Corporation, Sumitomo Metal Industries, Ltd., Kobe Steel, Ltd., and Nisshin Steel Co., Ltd.), and Korea's largest steel company, POSCO, acquired a 40% stake in an iron ore producer and distributor, Nacional Minérios S.A. (NAMISA). As a result, ITOCHU acquired a 16% stake in NAMISA, which represents the largest stake among the companies in the consortium and ITOCHU's largest-ever investment in an overseas business. NAMISA's sales volumes are slated to increase steadily. Plans call from sales volume of 17 million tons/year in 2009, rising to 38 million tons in 2013. Furthermore, in this business project we have secured infrastructure to handle these future increases in shipment volumes through a long-term contract that includes the integrated operation of railway and port facilities.

This initiative will launch our full-fledged entry into the iron ore operations in Brazil, adding to our existing iron ore operations in Western Australia. Having steadily built its position in the industry, ITOCHU aims not only to increase earnings from this equity interest but also to expand iron ore trading centered on shipments to Japanese steel producers and POSCO. Moreover, by bolstering our relations with Companhia Siderúrgica Nacional (CSN), which owns 60% of NAMISA's shares, we plan to target business opportunities in a wide range of business areas.

Location of Brazil NAMISA

State of Minas Gerais, Brazil

Expansion plan

Total investment	2008–2012:	US$2.2 billion
Sales volume outlook	2009:	17 million tons
	2013:	38 million tons

ITOCHU—Remaining the World's No.1 Pulp Trader

Pursuing a Growth Strategy in the Forest Resources Area Centered on CENIBRA

In 1973, we established CENIBRA (Celulose Nipo-Brasileira S.A.) as a joint national project between Japan and Brazil in Brazil's Minas Gerais State. Today, CENIBRA is wholly owned by Japanese companies and organizations, which include Oji Paper Co., Ltd., JICA, ITOCHU, and 13 other major Japanese paper manufacturers.

CENIBRA owns 250,000 hectares of land, of which 130,000 hectares are planted with eucalyptus, and produces 1.2 million tons of pulp annually. CENIBRA only uses renewable forestry as a raw material for this pulp. As a result, it has acquired international certification from the FSC (Forest Stewardship Council), which only grants certification to manufacturers that focus efforts on benefiting local communities and protecting the natural environment. Based on extremely rapid virgin wood growth volumes and rigorous production rationalization, CENIBRA has world-leading cost control.

CENIBRA, Brazil

Through its investment and participation in CENIBRA, ITOCHU is involved in the entire value chain, from production through to sales. As the general agency for CENIBRA's products, we have capitalized on our logistic and financial functions and the world's strongest sales network to continue marketing that gives first priority to differentiating the CENIBRA brand and increasing the corporate value of CENIBRA.

ITOCHU will contribute to the further growth of CENIBRA and, in addition to pulp, create synergy benefits with other forest resource areas.

ITOCHU
—Continuing to Take On Challenges to Shape the Future

Discovering and Building New Businesses

ITOCHU is developing new operations in the L-I-N-E-s business areas, which will support its future growth. Launching in fiscal 2010, our new medium-term management plan Frontier[e] 2010 calls on us to concentrate efforts on the Environment & New Energy and Life & Healthcare business areas as markets likely to expand substantially. Also, ITOCHU will pioneer such business areas ahead of competitors.

Takanobu Furuta
Managing Director,
Chief Officer for New Business Development (LINEs)

Advancing Initiatives to Shape the Future

Developing New Businesses in the L-I-N-E-s Business Areas

ITOCHU is forging ahead with the development of new businesses in the Life & Healthcare area, which comprises medical and health-related businesses; the Infrastructure area, focusing on functional infrastructure and social infrastructure; the New Technologies & Materials area, mainly biotechnology, new materials, and clean technologies; and the Environment & New Energy area. At ITOCHU, taking the initial letter of each business area, we refer to these business areas as L-I-N-E-s.

Life & Healthcare is one area in which we are moving forward with particular speed. Guided by our concept of a medical value chain, we are increasing business lines in a range of business areas, from the handling of medical devices through to businesses for hospitals. In Environment & New Energy, we are focusing on solar power generation, bioethanol, and other energies that offer an alternative to fossil fuels, and energy storage devices. Among these initiatives, in solar power generation businesses we are outpacing other general trading companies in the mainstay markets of Japan, the United States, and Europe. Other initiatives in the environmental area include smart grid as core technology for modernized electricity networks and engineering businesses for seawater desalination. In the New Technologies & Materials area, based on strategic tie-ups with research organizations, companies, and universities, we are advancing the development of such leading-edge medical technologies as regenerative medicine and the development of products that incorporate nanotechnology materials. As for the Infrastructure area, using our unique strategic tools, functional infrastructures such as IT, LT, and FT functions, ITOCHU is building infrastructure networks in Japan and overseas. Further, aiming to expand and improve the social infrastructure of developing countries, ITOCHU will make contributions by exploiting its comprehensive capabilities to provide functional infrastructure and create systems that utilize such infrastructure.

Priority L-I-N-E-s Business Areas

Life & Healthcare
Increasing business lines in all business areas based on a medical value chain concept, upstream: production and sale of medical devices; midstream: wholesale distribution of pharmaceuticals and medical materials; downstream: businesses for hospitals

Infrastructure
Concentrating efforts on developing social infrastructure businesses and exploiting such functional infrastructure as IT (information technology), LT (logistics technology), and FT (financial technology) to build functional infrastructure networks in Japan and overseas

New Technologies & Materials
Developing and fostering businesses that incorporate such leading-edge technologies as biotechnology and nanotechnology in the business areas of life science, environment and new energy, and advanced materials

Environment & New Energy
Building value chains in the solar power generation business area, giving priority to strengthening energy storage devices businesses and water resources businesses, developing smart grid businesses and bioethanol businesses in a wide range of business areas

Realizing the Policies of Frontier[e] 2010

Giving Priority to Strengthening the Life & Healthcare and Environment & New Energy Business Areas

Frontier[e] 2010 identifies Life & Healthcare and Environment & New Energy as business areas that ITOCHU should focus efforts on. In Environment & New Energy, the plan calls on the Company to give priority to bolstering solar power generation, energy storage devices, and water resources business areas. Also, we are laying the organizational foundations to achieve Frontier[e] 2010's goal of rapidly establishing profit-making businesses. For example, we created a new Solar Business Department within the business development organization of Headquarters. Further, we have created the post of Chief Officer for New Business Development, who is responsible for L-I-N-E-s. This officer will steer initiatives related to L-I-N-E-s, advance lateral business projects among the seven division companies, sow the seed of new business, and nurture the resulting businesses seedlings to grow new earnings mainstays.

Working to Build Value Chains in Solar Power Generation

ITOCHU—Leading Solar Power Business As the Top Runner

As a renewable energy that emits almost no greenhouse gases, solar power generation promises to become a significant energy resource that will address such global problems as the depletion of fossil fuels and global warming. Spurred by lowering power generation costs and subsidies from national governments, the solar power generation market is expected to grow 27% annually, reaching ¥4.6 trillion in 2012.

Solar power generation is an extremely wide-ranging industry. ITOCHU is building a competitively superior solar power generation value chain by organically linking all areas of this industry from such raw materials as polysilicon through to intermediary products, including ingots, wafers, and cells, and finished products such as solar cell modules and generation systems. Another significant strategic goal is to create synergies in peripheral businesses, including the trading of manufacturing equipment and components.

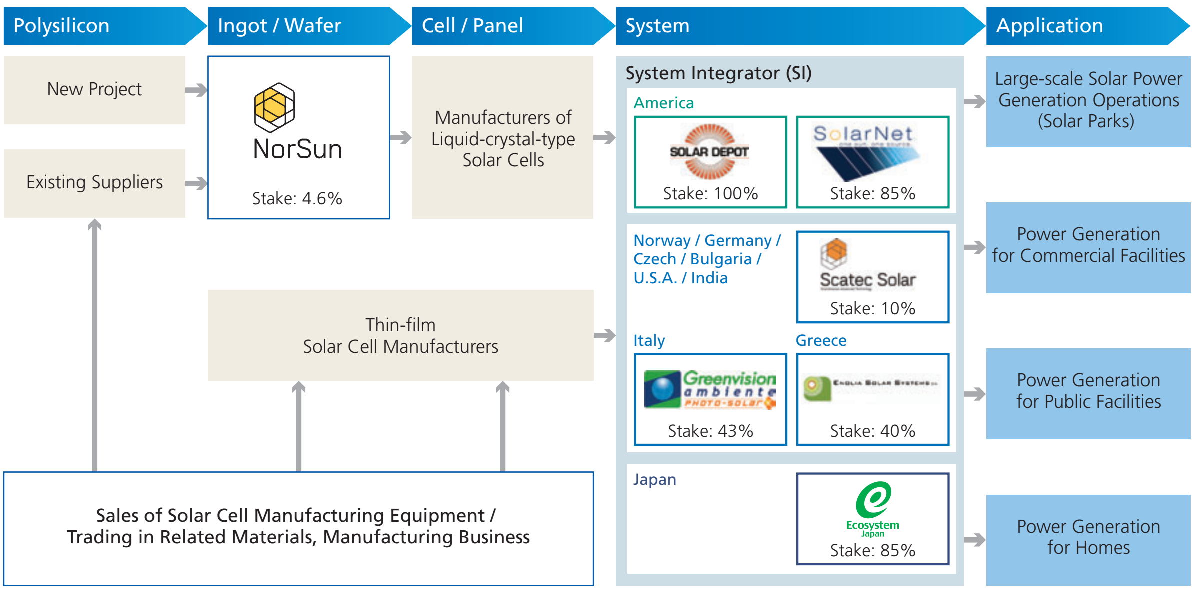
Our initiatives in this business area began with our 2006 capital participation in NorSun AS, which manufactures ingots and wafers. Expansion of this market will create a need for significant cost reductions. And, we believe that the decisive factor for competitiveness in this business area lies in securing a partner with outstanding technology as well as building and developing efficient distribution formats, in other words marketing capabilities. Mindful of that, in recent years we have stepped up investment in downstream system integrators. These initiatives started with the acquisition of Solar Depot, LLC, of the United States, in June 2007, and include investments in Scatec Solar AS, of Norway, in May 2008; Greenvision Ambiente Photo-Solar S.R.L., of Italy, in December 2008; and Enolia Solar Systems S.A., of Greece, in March 2009. Further, we acquired Solar Net LLC, which sells solar power generation systems for homes and is based in California, the United States, in April 2009. Combined with Solar Depot, this latest acquisition gives us the largest solar distribution network in the United States. Also in April 2009, in Japan we acquired Ecosystem Japan Co., Ltd., which claims the largest share in residential retrofit market for solar power generation systems. Thanks to these initiatives we have further strengthened our marketing power in Japan, the United States, and Europe.

As well as taking part in upstream businesses for the production of solar power generation raw materials (polysilicon), together with major partners we are considering and advancing participation in holding businesses for such solar power generation plants as solar parks*. ITOCHU will accelerate initiatives to rapidly build a competitively superior solar power generation value chain that will form a solid foundation of our position as the industry's top runner.

* Large-scale solar power generation plants

Solar park

Solar Power Generation Value Chain



Developing the Business Areas Related to Health and Medical Care

Aiming to Realize a Value Chain Concept

Japan's population is aging more rapidly than any other. As the baby boomer generation becomes older, the number of senior citizens is projected to increase by 1 million every year. According to estimates, senior citizens will account for 40.5% of the population, or 36.46 million people, in 2055*1. Therefore, lowering the cost to society of medical and health care in preparation for the coming of this ultra-aged society has become a worrisome issue and a pressing task in Japan.

By providing solutions to such social problems and strengthening businesses related to health and medical care areas, ITOCHU aims to create and develop new sources of earnings. Because health and medical care businesses cover an extremely diverse range of areas, collaborations beyond industry boundaries are indispensable. Precisely for this reason, ITOCHU can bring its strength to bear on the field based on its contacts and expertise in all kinds of industries and its extensive range of trading-company functions.

With a view to further speeding up the creation of businesses and increasing business lines, we established the Healthcare Business Department in the business development organization of Headquarters in May 2007. Based on its medical value chain concept, ITOCHU is aggressively using mergers and acquisitions (M&As) and other capital measures to build a business model in upstream handling of medical devices, midstream pharmaceuticals distribution, and downstream businesses for hospitals.

In the medical device business area, we are expanding and improving our operational platform centered on subsidiary Century Medical, Inc. In 2008, we further strengthened our operations in this business area by investing in leading manufacturers in the field of treatment and diagnosis, including Japan Medical Dynamic Marketing Inc., in the orthopedic medical equipment area, and Goodman Co., Ltd., in the area of equipment for cardiovascular internal medicine.

In 2008, ITOCHU and 15*2 companies jointly established the Japan Medical Partners corporate alliance to formulate countermeasures for the new influenza pandemic. ITOCHU serves as the secretariat for this alliance, which has created a system to provide devices for infection prevention, emergency measure and transportation of those devices for the national government, local governments, and companies.

In the downstream area, in which we help hospitals improve their business management by providing services for the one-stop outsourcing of operations and management support, in 2008, together with a partner company, we won a contract for the PFI*3 operations of Kobe City Medical Center General Hospital. Further, subsidiary Healthcare-Tech Corporation contributes to the efficiency of many hospitals through its SPD*4 operations, which take advantage of IT and outsourcing to realize integrated procurement of pharmaceuticals and medical materials, inventory management, and logistics.

In the wholesale distribution of pharmaceuticals and medical materials, Healthcare-Tech also sells generic pharmaceuticals. Going forward, we intend to create pharmaceuticals distribution models with new pharmaceuticals in mind. In addition, we are also steadily taking measures to develop businesses overseas. As part of these efforts, we invested in China's third largest pharmaceuticals wholesaler Jointown Pharmaceutical Group Co., Ltd.

Taking as its fundamental stance the simultaneous pursuit of business activities and social contributions that this initiative exemplifies, ITOCHU will continue to develop and implement new business models.

*1 Statistics and estimates concerning demographic trends
Source: The Cabinet Office
*2 Number of participating companies scheduled to increase to 30 in 2009
*3 PFI (private finance initiative): A method of social infrastructure development that entails using private-sector expertise and capital to design, construct, maintain, and operate public facilities as well as providing public services efficiently by having private-sector companies manage them
*4 SPD: Supply Processing & Distribution

For the new strain of influenza, a negative-pressure-type air tent jointly developed by Achilles Corporation and ITOCHU

OCT
(Optical Coherence Tomography)

Image of the completed
Kobe City Medical Center General Hospital