Special Features

Capturing New Growth Opportunities

ITOCHU as a general trading company has a distinctive presence in global markets. Typically, general trading companies are set apart by their approach of "maximizing profits by leveraging a range of capabilities through combinations of trade and investment." They do not own production facilities. They do, however, concentrate the distinctive features of a wide range of businesses into a single entity, and as a result, they have business models that are more diverse and more complex than those of other companies.

In new growth fields, general trading companies are currently caught up in intense competition that transcends industries and national borders. In this feature, case studies are used to illustrate the approach of ITOCHU, as a general trading company, to growing fields, and how that approach differs from those of companies in other industries.


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Capturing New Growth Opportunities 1

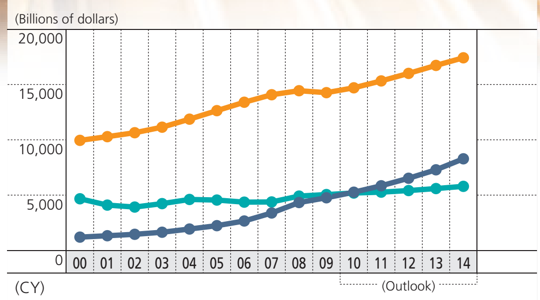
Opening Up the Massive Consumer Market in China

GDP Growth of 8.7%

In 2009, when developed countries remained mired in turmoil, China became the first market to recover, supported by 4 trillion yuan of economic stimulus measures. Accompanying urbanization, social infrastructure development is generating a variety of business opportunities, such as strong demand for steel. Since the second half of the 1990s, China has been transformed from "the world's factory" into "the world's consumer market," primarily along its coastal region. With increasing disposable incomes, consumer values are changing to a stronger orientation toward "safety and security." Under the leadership of the government, consumer markets are being expanded to inland areas as well.

In the near future, China is expected to surpass the United States and become the world's largest economy. Companies around the world, especially those in developed countries that are confronting the reality of sluggish growth in their own markets, are focusing their attention on the huge consumer market—the 1.3 billion people in China.

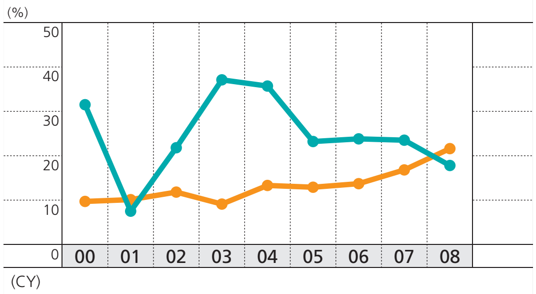
Nominal GDP



Source: IMF World Economic Outlook 2009

Japan　China　North America

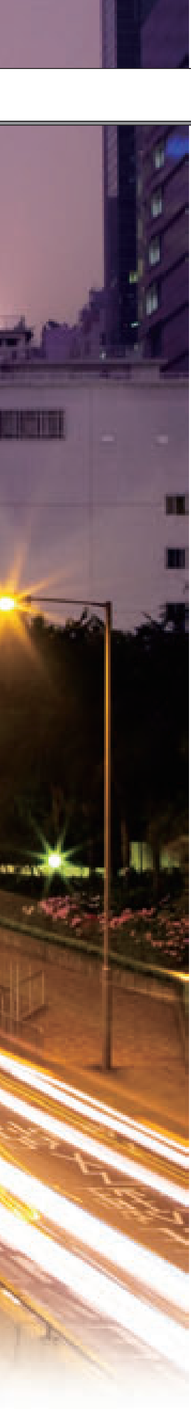
Transition from "the World's Factory" to "the World's Consumer Market"



Source: Prepared by ITOCHU from materials of the National Bureau of Statistics of China

Rate of growth in total foreign trade

Rate of growth in nationwide retail sales of consumer goods



ITOCHU's Strategy as a General Trading Company in China

Our Biggest Asset: Relationships of Trust with Leading Partners

In March 1972—half a year before the normalization of Sino-Japanese diplomatic relations— ITOCHU became the first general trading company to resume trade between Japan and China by obtaining formal ratification from China's State Council. Since that time, we have invested management resources continuously and intensively, based on our belief in the future potential of the market. We have built our current competitive foundation in China over a period of 40 years. That foundation includes 17 branches and offices, in the top ranks among general trading companies, personnel with extensive knowledge of China, a broad network of personal contacts, and know-how needed to be successful in the Chinese market.

China can be a difficult market for foreign companies. It is not easy to establish a sales network and build brand status independently in China, where business practices and consumer preferences are substantially different from those in other countries. The secret of success in business ventures in China is the establishment of mutual relationships of trust with business partners. ITOCHU already recognized the potential of the Chinese consumer market in the 1980's through hands-on experience. Rather than short-term profits, we gave priority to building relationships of trust with leading companies that have competitive products or sales and distribution networks. It goes without saying that these relationships were not built overnight. Our investment in one of China's leading major conglomerates—Shanshan Group Co., Ltd., (28% ownership) in February 2009 is the product of cooperative ventures extending back over 15 years. In addition, our strategic alliance with the Ting Hsin Group and our investment in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., which will be discussed in more detail later in this report, are based on relationships of trust established by generations of ITOCHU leaders. In fact, the strong relationships of trust built up with these leading companies are ITOCHU's greatest asset and competitive advantage.

ITOCHU in China: 40 Years of Growth

1972	Obtained ratification for the resumption of Sino-Japanese trade (first general trading company).
1979	Established a representative office in Beijing (first general trading company)
1992	Established a local trading subsidiary in Shanghai (first general trading company)
1993	Obtained approval for an umbrella company (first general trading company)
2005	Obtained approval for multinational company "regional headquarters" (first general trading company)
2009	Invested in Shanshan Group Co., Ltd.
2009	Invested in TING HSIN (CAYMAN ISLANDS) HOLDING CORP.

Aiming for Mutual Development through the Establishment of Win-Win Relationships

We will explain our distinctive approach as a general trading company in the Consumer-Related Sector, where we have strengths compared with other general trading companies.

As it is essential in business to build win-win relationships with partners, we believe that our partners should be the main players. On the other hand, ITOCHU helps its partners to increase their competitiveness by providing management know-how and leveraging the strengths of a general trading company, such as organizing alliances. A good example is our relationship with the Shanshan Group, which got its start in the area of textiles but has expanded its business domain to the areas of natural resources and energy, electronic components, food, finance, and real estate. We are expanding the scope of this relationship, which entails cooperative initiatives in brand businesses, in which ITOCHU has notable strengths, as well as in such businesses as real estate development and lithium-ion batteries. These cooperative initiatives reflect the expectations of the Shanshan Group towards ITOCHU's supporting functions in various fields. ITOCHU can actively contribute to trade flows through the establishment of joint ventures and through direct investment in holding companies. In particular, in the Consumer-Related Sector, we are moving forward with the construction of a value chain that extends from upstream to downstream. There are two main goals. The first is the multifaceted expansion of trade through the activation of trade flows, and the second is growth in business income and dividend income accompanying increases in the enterprise value of the companies in which we have invested.

The following pages provide a detailed explanation, using as an example our operations in the food business area, which reached a major turning point with our investment in the Ting Hsin Group.

The Road to ITOCHU's Investment in the Shanshan Group

1993	Began to commission production of products for Japan
Around 2000	Searched for tie-ups in brand businesses in the Chinese market
November 2001	Established JIC GARMENTS (NINGBO) LTD., a brand-related joint venture. Began joint initiatives for Marco Azzali brand.
2004	Established joint ventures, LE COQ SPORTIF (NINGBO) CO., LTD. and RENOMA (NINGBO) APPAREL CO., LTD.
January 2009	Reached agreement on acquisition of shares in Shanshan Group Co., Ltd.
From 2009	Taking advantage of the business tie-up, actively provided ITOCHU's management resources and further opened up the Chinese market. Advanced cooperative ventures in a wide range of business areas, such as lithium ion batteries.

A Key Foundation in a 1.3-Billion-Huge Consumer Market

Strategic Tie-up with the Ting Hsin Group Drives Significant Advances in ITOCHU's China SIS Strategy

Ting Hsin: A Major Food Business Group with Operations in China and Taiwan

In November 2008, a signing ceremony was held for ITOCHU's investment in TING HSIN (CAYMAN ISLANDS) HOLDING CORP., through which ITOCHU acquired shares and underwrote a third-party allocation of new shares from TING HSIN (CAYMAN ISLANDS) HOLDING CORP. It was a moment for commemoration of the success of the relationship of trust built up over many years between the Ting Hsin Group, a major food business group with operations in China and Taiwan, and ITOCHU, which has placed first priority on the Chinese market for many years. At the same time, it was also a moment in which ITOCHU's China food strategy entered a new phase.

Tingyi (Cayman Islands) Holding Corp., which is the Ting Hsin Group's largest operating company and is listed on the Hong Kong Stock Exchange, has recorded sales growth of 2.75 times over the past five years. In fiscal 2009, it recorded sales of more than $5.0 billion, and at the end of December 2009, its total stock market capitalization was more than HK$100.0 billion (about ¥1.2 trillion). With outstanding brand strength and growth potential, it is one of China's leading food manufacturing companies.

Tingyi, a manufacturer of processed food products such as noodles, beverages, and confectionary, has, on a unit basis, a 41.7% share of the instant noodle market in China, which is the world's largest consumer market for instant noodles, and it is recording sales growth of more than 10% year on year. In addition, in more than 10 years since it entered the beverage business, Tingyi has built the leading brand in the bottled tea and water category. On a unit basis, it has a 50.4% share of the tea beverage market and a 21.4% share of the bottled water market. It is recording sales growth of more than 30% in the beverage market. These figures alone demonstrate the potential of the Chinese market and the strength of Tingyi's brand in China*. Furthermore, it has introduced the latest production lines, and, to a similar extent to Japanese companies, it recognizes quality control as a management risk and has established rigorous hygiene standards. Under the motto "No. 1 in Asia in quality," it has overwhelming brand strength in China. Moreover, the Ting Hsin Group has independently built China's largest sales and distribution network, and it is focusing assiduously on human resources development. It is unstinting in the use of post-tax profits, allocating 3% for human resources development. More than anything else, the Ting Hsin Group is deeply knowledgeable about the Chinese market. The relationship between this huge food business group and ITOCHU dates back to the signing of a comprehensive strategic alliance agreement in 2002. * Source: Tingyi 2009 Annual Report

The Ting Hsin Group: An Overwhelming Market Presence

(Tingyi (Cayman Islands) Holding Corp: The Group's largest operating company)

2.75 times Sales growth over the past five years

About ¥1.2 trillion Total market capitalization*

41.7% Share of instant noodle market

50.4% Share of tea beverage market

21.4% Share of bottled water market

* Listed on Hong Kong Stock Exchange; as of the end of 2009

Relationships of Trust Built Up Over Time

Since ITOCHU started its strategic alliance with the Ting Hsin Group in 2002, successive generations of ITOCHU leaders have taken the lead in advancing personnel exchanges. In fields ranging from raw material procurement to distribution, ITOCHU has pursued an array of possibilities to support the operational expansion of the Ting Hsin Group. Over that period, ITOCHU has served as an intermediary in a substantial number of joint ventures. These include convenience store operations with FamilyMart Co., Ltd., production of beverages with Asahi Breweries, Ltd., production and sales of beverages with Kagome Co., Ltd., production and sales of premix flour with Nippon Flour Mills Co., Ltd., and China's first mass production bread operations with Shikishima Baking Co., Ltd. Japanese partner companies have been able to establish a bridgehead in the Chinese market, with its 1.3 billion consumers, and the Ting Hsin Group has been able to expand its operations while simultaneously benefitting from Japan's world-leading production and hygiene technologies. ITOCHU, meanwhile, has been able to expand its business opportunities in mainland China. Our largest investment in China was made possible by the steady and step-by-step cultivation of relationships of trust in this manner, whereby the partners compensate for each other's weaknesses and leverage each other's strengths.

Participation in the Ting Hsin Group's management has further strengthened the mutually supportive relationship between ITOCHU and the Ting Hsin Group. As the Ting Hsin Group records sustained growth and turns its attention to global markets, ITOCHU's know-how in such areas as business management and internal control will be a major source of strength. Through this relationship, ITOCHU has been able to give shape to its China SIS (Strategic Integrated System) strategy.

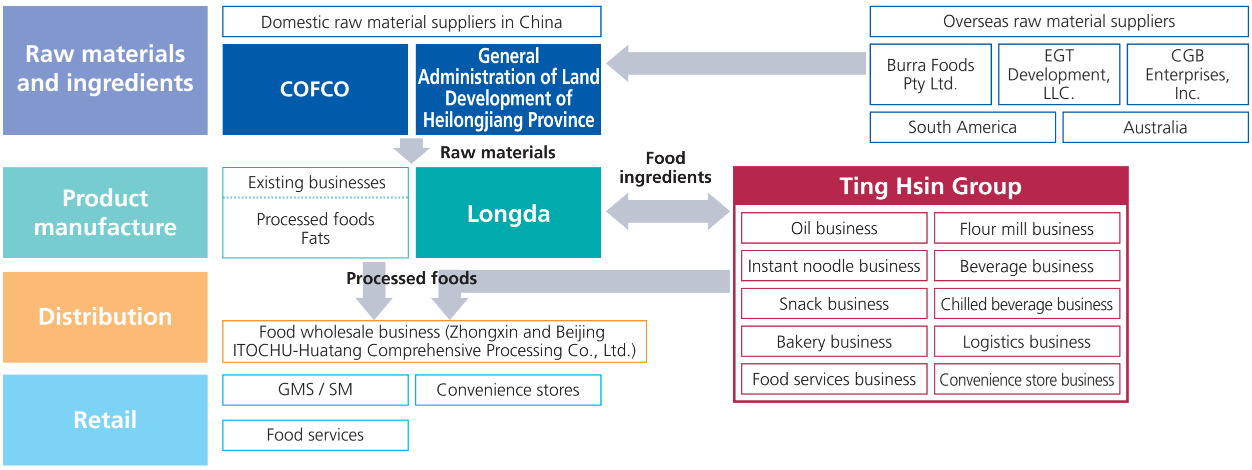
Establishing the Foundation of Our China SIS Strategy

SIS strategy that is being advanced by ITOCHU in the food business area comprise the establishment of a value chain that is based on customer needs and seamlessly links upstream food resource development, raw material procurement, and processing; midstream distribution; and downstream retail sales, thereby realizing efficient production, distribution, and sales. Our China SIS strategy is the foothold for the global development of these strategies.

In 2007, we commenced a tie-up with the General Administration of Land Development of Heilongjiang Province (Beidahuang Group), a leading supply region in China. In 2008, we started an alliance with COFCO Limited, China's largest grain importer, and have established a foothold in upstream raw material procurement. In addition, in 2009 we enhanced our presence in intermediate product manufacturing by taking an equity position in Shandong Longda Meat Foodstuffs Co., Ltd., a member of Longda Foodstuff Group Co., Ltd., with which we have worked for many years. In conjunction with these efforts, by advancing investment in and strategic alliance with the Ting Hsin Group, which has operations from midstream to downstream, we have completed a major element of the foundation to further our SIS strategy in China.

The expansion of ITOCHU's commerce in a large value chain centered on the Ting Hsin Group opens up trade expansion possibilities for ITOCHU. Moreover, in regard to the sales and distribution network that extends to every corner of China through TINGTONG (CAYMAN ISLANDS) HOLDINGS CORP., a joint venture with the Ting Hsin Group; and ITOCHU's subsidiaries, ITOCHU LOGISTICS (CHINA) CO., LTD. (formerly Beijing Pacific Logistics Co., ltd.), and Beijing ITOCHU-Huatang Comprehensive Processing Co., Ltd., will play an important role in expanding our marketing area.

Overview of China SIS Strategy



Reinforcing the Foundation and Expanding around the World

ITOCHU has set the stage. Moving forward, we will transition to the phase of reinforcing the foundation and then expanding into more specific areas. As the coordinator, ITOCHU is stepping up the pace at which it arranges tie-ups between the Ting Hsin Group and companies that combine superior technologies and brands with a strong desire to understand and open up the Chinese market. The capital and business alliances with UNY Co., Ltd., and Izumiya Co., Ltd., which are large domestic retail companies, have the objectives not only of pursuing economies of scale in the domestic market but also of bolstering operations in the downstream retail field in China. In addition, ITOCHU is also taking steps to build a global food resource supply system, such as moving ahead with a new construction project for an export grain terminal (EGT) with the largest loading capacity on the west coast of the United States and investing in an Australian dairy products manufacturer. However, the primary target of those initiatives is China, a huge consumer market with a population of 1.3 billion.

From its starting point in China, ITOCHU will strive to expand its SIS strategy to Asia. Our goal is to be one of the leading food companies in Asia. Under the SIS strategy, from a global viewpoint, we will link everything from production bases to consumers, and synergistically expand trade and business earnings. This approach to overseas markets leverages ITOCHU's strengths as a general trading company that can independently generate trade flows while drawing on its own comprehensive strengths, based on a firm foundation of partnerships.

Capturing New Growth Opportunities 2

Supporting Stable Supplies of Natural Resources and Energy

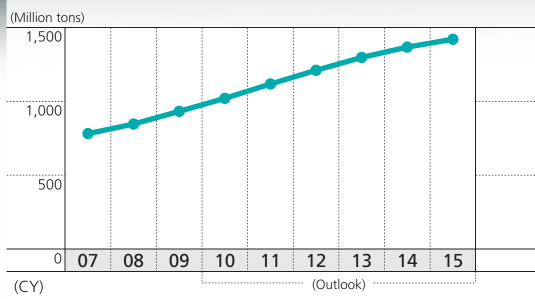
Port Hedland iron ore shipping port in Western Australia

The rising price of crude oil, which reached $140 a barrel at one point in 2008, is still fresh in everyone's memory. Under the global economic recession, the price subsequently declined to reflect actual demand, but it is widely considered inevitable that the demand-supply balance for natural resources and energy will tighten over the long term. That trend is taking place against a background of long-term structural factors, such as the growing share of emerging countries in the global economy.

The rapid growth of emerging countries is giving rise to massive demand for natural resources. In 2009, crude steel production was down across the board in developed countries, but in China it was up by 14% in comparison with 2008, to 568 million tons. Energy demand also continues to increase steadily. The IEA (International Energy Agency) is forecasting that worldwide primary energy demand in 2030 will increase by about 60% from the level in 2000, with growth driven by China and Asia.

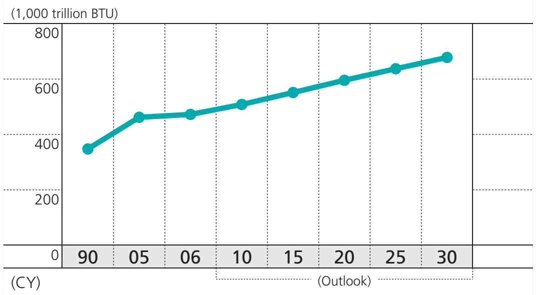
Securing stable supplies of natural resources and energy has become an important policy issue for countries around the world, and especially for Japan, which is almost entirely dependent on imports, this has become a matter of the greatest urgency.

Outlook for Seaborne Iron Ore Supply Demand

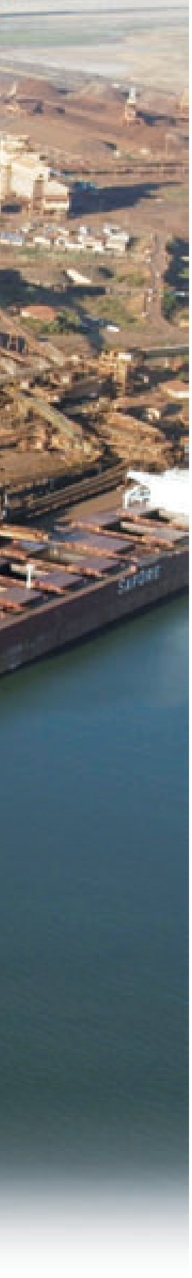


Source: ITOCHU research

Outlook for Worldwide Primary Energy Demand



Source: International Energy Outlook 2009, U.S. Energy Information Administration



ITOCHU's Natural Resource and Energy Strategy

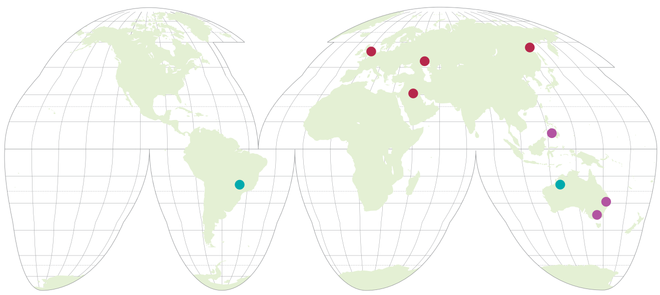
The Three Operational Functions of ITOCHU

ITOCHU has three operational functions in the natural resources and energy businesses.

The first is as a trader. In resource-poor Japan, the industrial structure has been developed through the import of raw materials and the export of manufactured goods, and ITOCHU has played an important role in imports and exports. In terms of trade with Japan, ITOCHU is currently in the top ranks among general trading companies in the fields of iron ore and petroleum. We also rank second in the world in uranium trade.

When Japan was in the midst of a period of high economic growth, it needed to secure independently developed natural resources. In 1967, through capital participation in the Mount Newman joint venture in Western Australia, ITOCHU complemented its existing business in trade with its first step into the field of mineral resource development. This gave us our start as an investor, our second function. As an investor, we earned profits from the interests acquired through our investment. Currently, we have stakes in multiple iron ore mining joint ventures in Australia, and through continued follow-on investments, these joint ventures have reached an annual production volume of 140 million tons. In coal, meanwhile, we continue to develop new mining concessions and to implement follow-on investment to increase production capacity in the existing joint ventures. In the non-ferrous metals field, we are conducting integrated operations ranging from bauxite mining to alumina refining.

Our first step in full-scale energy development was in 1992, following the Gulf War. When the price of oil was declining rapidly, we forecasted that the price would rise over the medium- to long-term, and acquired interests in oil fields in the U.K. North Sea. In 1996, we acquired equity interests in the Azeri-Chirag-Gunashli (ACG) oil field development project, comprising a consortium of oil majors and national enterprises in the ACG fields, which are located in the Caspian Sea region of Azerbaijan. As a result of steady follow-on investment, by 2009 production had expanded to an average of 820 thousand barrels a day. In the 2000's, our long-term demand analysis ability, network of personnel connections, and decision-making ability generated substantial results.



Production Attributable to ITOCHU

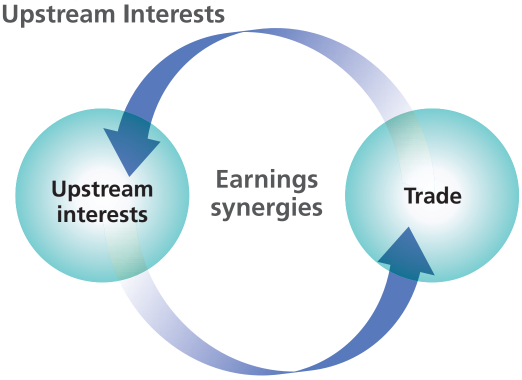
● Oil / gas	approximately 40 thousand barrels a day
● Iron ore	approximately 15 million tons a year
● Coal	approximately 8 million tons a year

Creating Synergies through Natural Resource Development and Trade

Before moving on to our third function, we will explain the distinctive features of the business model that incorporates upstream interests and trade. For ITOCHU, the acquisition of upstream interests and trade are the twin key pillars of this business. When acquiring natural resource interests, we aim to also acquire trade rights. In crude oil development, we have acquired trade rights in the ACG project and Sakhalin-1 project. Trade and sales are customer-contact businesses, and through the feedback of information to upstream operations, they make it possible to respond to rapid fluctuations in demand.

The distinctive features of the business model of ITOCHU, as a general trading company, are most clearly shown through our third function, as an organizer. This third role is closely linked to the trader and investor roles introduced above. This is explained in detail on the following pages, using as an example our 2008 investment in Brazil's NAMISA, which substantially advanced our iron ore business.

Synergies between Trade and Acquisition of Upstream Interests



NAMISA Iron Ore Mines in Brazil

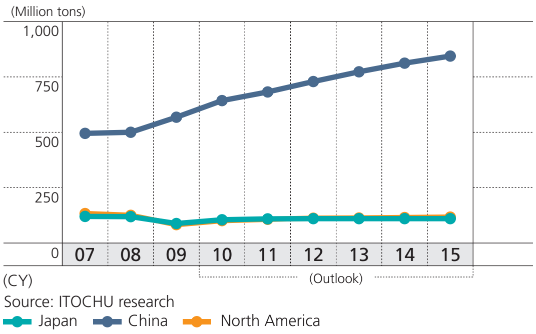
The Road to Stable Supply Opened by Partnership

Acquisition of Iron Ore Interests in Brazil through Japanese-Korean Consortium

A New Point of Entry into South America's Resource Superpower

Currently, China's imports of iron ore are increasing rapidly. In 2009, imports increased by 41.6% year on year, to 627.8 million tons, and this has tightened the global demand-supply balance for iron ore and coking coal, the raw material for coke. ITOCHU has iron ore interests, principally in Western Australia, and while making continued follow-on investment, we have worked to meet strong short-term demand, keeping an eye on the expansion of demand over the medium- to long-term. On the other hand, we continued to search for additional iron ore interests, with the objectives of pursuing global balance in our mineral resource interests, which had been overly concentrated in Western Australia, and of securing a stable supply of iron ore. A long-held goal was to build a strong foothold in Brazil, which is a natural resource superpower on a par with Australia.

Outlook for Global Crude Steel Production



Source: ITOCHU research

The tightening of iron ore demand-supply conditions due to the rapid expansion of steel production in China significantly heightened a sense of crisis among steel companies in Japan and around the world. There was a growing conviction that steelmakers should own natural resource interests. In 2008, ITOCHU became an organizer in the formation of a Japanese-Korean consortium that participated in international competitive bidding for Nacional Minérios S.A. (NAMISA), a Brazilian iron ore production and sales company, which resulted in the acquisition of about 40% of NAMISA stock. The consortium members included leading companies in the steel industry: major Japan's 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, Pohang Iron and Steel Company (POSCO), which shared the same sense of urgency. ITOCHU invested approximately ¥113.0 billion, its largest-ever investment in an overseas business, and acquired a 16% stake in NAMISA, which is the largest stake among the companies in the consortium. The reliability resulting from linking some of the world's leading steelmakers, and ITOCHU's extensive experience in the iron ore business have been highly evaluated by NAMISA's parent company, Companhia Siderúrgica Nacional (CSN). That evaluation has been a major factor in the success of this project. The project also benefited from the support of Japanese government-related institutions, which considered the securing of stable sources of production to be an urgent issue.

The Road to Natural Resource Development and Trade Synergies on a Larger Scale

The acquisition of natural resource interests through this type of large consortium, which has few precedents, took place in a setting in which each participant was able to reap specific benefits linked to their individual circumstances.

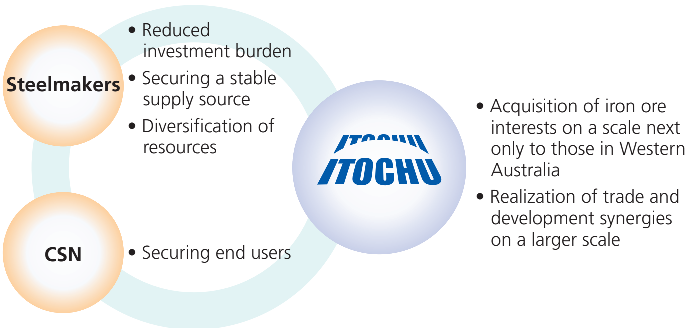
In addition to the factors described above, the cooperation of these large steelmakers was also attributable to increased project scales and higher prices for upstream interests. It is not easy for a single company to fund an investment ranging from several hundred billion yen to ¥1 trillion. This is also true for ITOCHU.

Next, NAMISA benefited from enhanced possibilities for steadily securing end users through partnerships with multiple major steelmakers. This helped to ensure the success of the project.

For ITOCHU, this project became an unparalleled opportunity to demonstrate its capabilities as an organizer, one of the most important strengths of a general trading company, on an unprecedentedly large scale. Furthermore, by implementing a massive investment, we garnered huge trade opportunities. There was an unlimited expansion in business opportunities for ITOCHU, which is active in a wide range of business areas. These opportunities include mining machinery as well as coking coal, vessel chartering business, and trade in steel materials. In addition to the fact that we were able to acquire the interests on a scale next only to those in Western Australia, this project had a major strategic significance for ITOCHU.

Iron ore produced in Brazilian mines including NAMISA is known for the world's highest iron content. Because infrastructure was already in place when the interests were acquired, investment risk was limited, which was another advantage of the NAMISA mines. Through long-term contracts, the project is managed in an integrated process that extends from the mine to the railroad and the port of loading. As a result, it was possible to begin production and shipping immediately after the interests were acquired. As the global economy showed signs of recovery in 2009, shipment volumes increased. This integrated process will contribute to shortening the investment payback period. Also, because NAMISA acquired stock in the railroad company, in the future, when production volume increases, our ability to use the railroad infrastructure is guaranteed for an extended period of time.

Win-Win-Win Framework: The NAMISA Project



NAMISA Mines

Itochu's investment		¥113 billion
Total investment	2008–2012	US$2.2 billion
Sales Tonnage*	2009	15 million tons
Sales Tonnage plan*	2013	38 million tons

* 100% base

Advantages of infrastructure with integrated operation of mines, railroads, and port facilities

1. Limited investment risk at time of acquisition
2. Realization of rapid production to meet increasing demand
3. Possibility of responding to long-term shipment expansion

MRS Railways
Vitoria Minas Railways

Building the Road to Stable Supply through an Independent Framework

In 2010, a substantial year-on-year increase in sales is forecast. In addition, we plan to advance follow-on investment and to expand sales volume to 38 million tons in 2013. In the future, by turning ultra fine iron ore (pellet feeds) into pellets, which contribute to higher blast furnace productivity, we will increase the competitiveness of the project.

Over the medium- to long-term, there is no question that the demand-supply balance for iron ore will tighten. ITOCHU will work to expand production capacity of its iron ore interests while carefully monitoring future demand trends. The acquisition of the project through this consortium provided further confirmation of the high level of effectiveness of ITOCHU's capability as an organizer. Our policy is not to limit this framework to the iron ore business but rather to develop it in the acquisition of natural resources and energy interests in other areas as well.

As an organizer, we will form partnerships with companies that have common goals and strive to achieve our strategic objective of trade and natural resource development synergies. This is an approach to success that draws on the strengths of ITOCHU as a general trading company, which has accumulated information, has developed networks of personal connections, and has established business models in both interests acquisition and trade, through long experience in the Natural Resources / Energy-Related Sector.

Capturing New Growth Opportunities 3

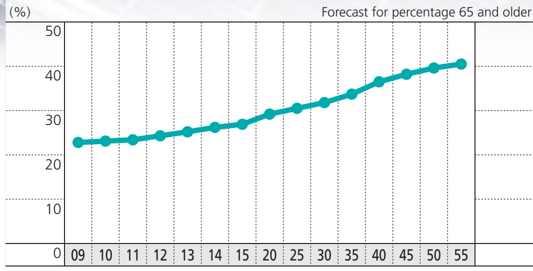
Targeting Growth Opportunities Driven by Change

An example of a solar power generation system installed by Scatec Solar AS in Germany

Substantial structural changes are currently underway in a range of fields, and a vast array of new industries are forming at a rapid pace. For example, in Japan, which has a rapidly aging population, the government has clearly positioned medical care, nursing, and health-related industries as drivers of economic growth and has set the goal of new market creation on the order of ¥45 trillion by 2020. From a global viewpoint, there are a number of problems that have the potential to impede the sustainable development of society, and the responses to those problems, such as global warming countermeasures and efforts to secure food and water, are resulting in the emergence of new markets. The worldwide power generation capacity of renewable energy, such as wind power, biomass energy, and solar power generation, continues to grow at more than 8% a year on average and is expected to reach 960 gigawatts by 2030, compared with 135 gigawatts in 2006. In addition, biotechnology and nanotechnology, which have advanced to the application development stage throughout the world, offer a broad range of possibilities.

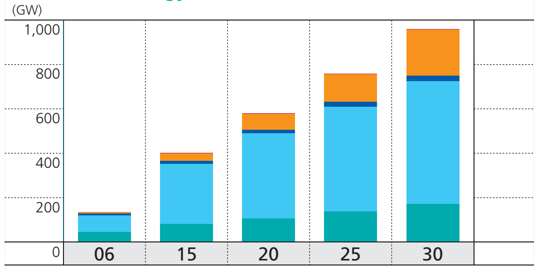
There is no end to the companies entering these new growth markets. This is an indication that in these markets, there are no longer any barriers among industries.

Japan's Aging Population



Source: National Institute of Population and Social Security Research, "Population Projection for Japan," December 2006

Projection of Power Generation Capacity for Renewable Energy



Source: IEA World Energy Outlook 2008

Biomass energy · Wind power · Geothermal power · Solar power · Wave power

ITOCHU's Strategies for Building New Businesses

Lateral Business Development in L-I-N-E-s Business Areas

ITOCHU has selected the following as priority business areas: Life & Healthcare; Infrastructure, including functional infrastructure and social infrastructure; New Technologies & Materials, such as biotechnology, new materials, and clean technologies; and Environment & New Energy. Taking the initial letter of each business area's name, and adding an "s" to represent "synergies" among those business areas, we refer to these business areas as L-I-N-E-s. We are now moving forward with the development of these areas as next-generation growing businesses.

In almost all of these areas, we are not restricting our maneuverability with short-term profit targets; rather, these are areas that will require a committed approach. In addition, because the business opportunities in these areas are extremely wide-ranging, they present a clear need for sharing information among business organizations and for initiatives that extend across organizational boundaries. Accordingly, under Executive Vice President (LINEs), we have established a dedicated unit for each of these areas to support the initiatives of Division Companies. Especially in the life & healthcare business area, the solar power generation business, and the new technologies & materials business area, these units are leading our development initiatives.

Leveraging Strengths in the Market-Formation Stage with Distinctive Business Characteristics

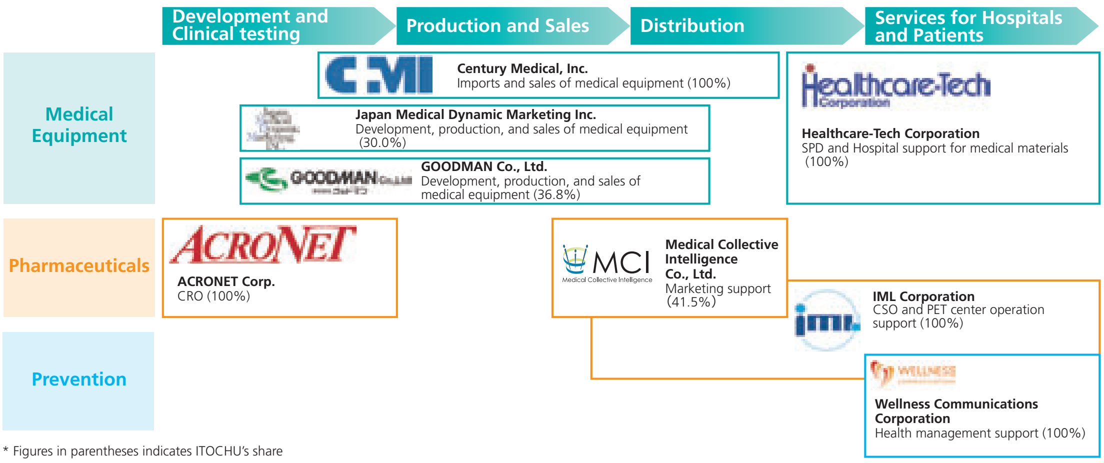
This section explains ITOCHU's approaches to growing business areas and to the generation of profits, together with its policy for the selection of target business areas.

Trade is the fundamental means by which ITOCHU, a general trading company, secures profits. As the scope of a market's supporting industries broadens, the range of products traded in that market expands, leading to growth in trade opportunities. The following businesses have huge growth potential of trade opportunities: the solar power generation business, which features a broad range of supporting industries in related business areas and ongoing competition in technical development that crosses national borders; the life & healthcare business area, which is undergoing cross-industry expansion; and biotechnology, nanotechnology, and renewable energy, where there is a need to connect the latest technologies and global needs. The key to turning innumerable business opportunities into successes is the ability to match technology seeds with market needs and the ability to coordinate activities among various industries. General trading companies, which have businesses extending over a wide range of business areas and geographic regions, are able to leverage those strengths. One example is the Joint Demonstration Project on Low-Carbon Transportation System. This project is currently underway as a joint initiative between Tsukuba City and cooperating companies from 15 industries.

ITOCHU is working to build value chains while incorporating direct investment. In markets that are in the formation stage and have many new entrants, our objective is to move ahead of other companies, create and control trade flows, and leverage diverse trade opportunities while simultaneously obtaining profits and dividends from companies in which we have invested. In other words, ITOCHU is building a business portfolio based on value chains. In making an investment, as in the medical value chain strategy in the Life & Healthcare business, we look over the entire value chain, from upstream to downstream, forecast market trends, determine the business areas and technologies for which we can influence the entire market, and intensively work on them.

The above approach, which draws on the strengths of ITOCHU as a general trading company, is explained in detail on the following pages, using the solar power generation business as an example.

Medical Value Chain



* Figures in parentheses indicates ITOCHU's share

Value Chain Created through Comprehensive Capabilities and Maneuverability

Solar Value-chain Strategy Leveraging the Strengths of a General Trading Company

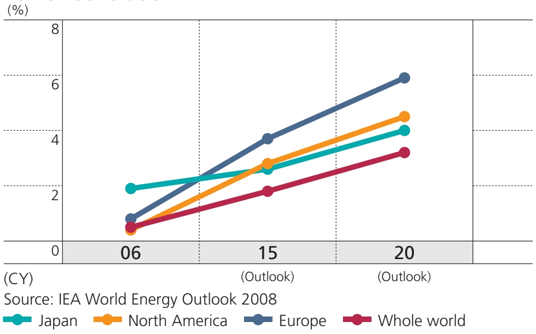
The Rapid Rise of the Solar Power Generation Business

Around the world, the industrial structure is changing at an accelerating pace. The area of renewable energy is also becoming a giant industry with growing prominence. ITOCHU is laying steppingstones in a range of business areas. And the solar power generation business is a target of focused investment.

In the solar power generation market, rapid growth has been recorded since about 2005, with support from government subsidies, the introduction of the feed-in tariff (FIT) system, and growing environmental consciousness mainly in Europe. In addition, market momentum is increasing in the United States, which has clarified its policy of developing renewable energy as a new industry through substantial investment, as part of the green new deal policy. In the same way, China, Japan, and other countries are shifting their policies toward the development of environmental businesses. In Japan, which has established a target of raising the share of renewable energy to 10% by 2020, subsidies have been revived, and in 2009 a Japanese-style FIT was introduced. In the future, consideration will be given to changing the design of the system, from the current model under which only surplus power is purchased to a model under which all power generated is purchased.

Due to these types of developments around the world, the solar power generation capacity is expected to grow tenfold from 7 gigawatts in 2006 to 72 gigawatts in 2020.

Solar Power's Share in Renewable Energy Power Generation

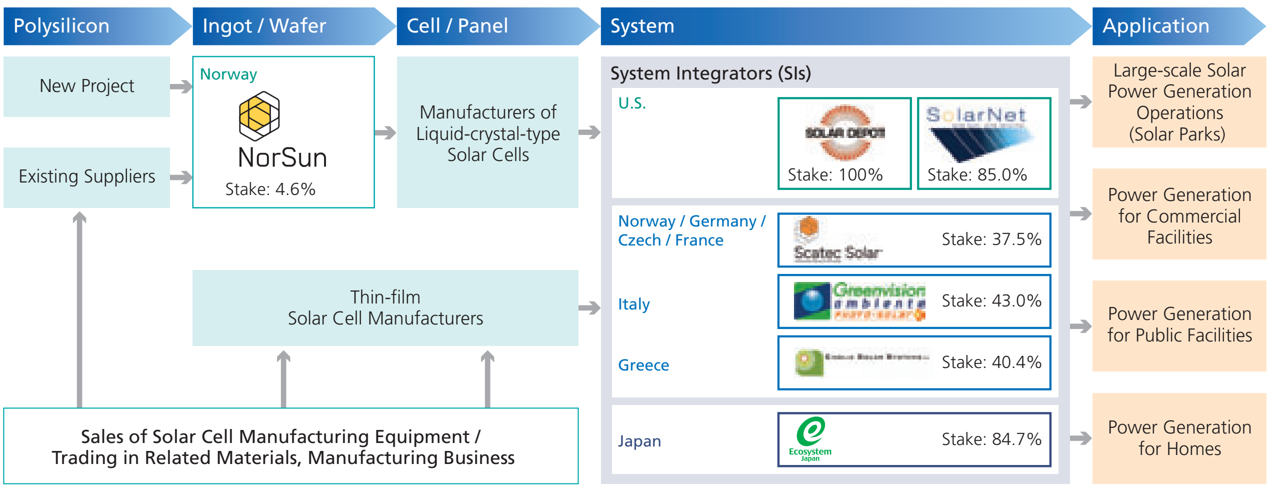


Source: IEA World Energy Outlook 2008

Leveraging the Strengths of a General Trading Company to Build a Value Chain

Among the large number of renewable energies, ITOCHU has focused on the solar power generation business for three reasons. First, solar power generation is distributed power generation. Therefore, as long as insolation is sufficient, it is less susceptible to limitations on installation conditions. This could be a key factor in accelerating the adoption of solar power generation. Second, there is substantial room for cost reductions. Currently, the unit cost of solar power generation is higher than that of conventional power generation, but as technological development and progress in mass production techniques drive down costs, the cost of solar power generation is expected to reach a par with existing power rates in the near future. The final factor is the configuration of the value chain. The length of the value chain is notable, extending from the raw material polysilicon to production of ingots, wafers, cells, and panels; system integration; and power generation operations. Another key feature is the international nature of the value chain. That means that trade and investment opportunities will be plentiful.

Solar Power Generation Value Chain



ITOCHU took steps to build a cross-divisional solar value chain, starting with its 2006 investment in NorSun AS, an ingot and wafer manufacturer in Norway. Our objectives are to expand trade opportunities for solar power generation modules and related parts and concurrently to obtain profits and dividends from companies in which we have invested. Subsequently, we invested in six system integration companies in Europe, the United States, and Japan, and we made steady progress in the construction of a value chain. In 2009, to further increase the speed of strategic development, the solar-related businesses that had been advanced by each Division Company were consolidated in Headquarters, and the Solar Business Department was established.

Tie-Ups with Major Players in Key Business Areas

The most essential part of ITOCHU's strategy is to stake out positions in important business areas to expand trade flows. For example, our decision to invest in NorSun AS, which has the technology to manufacture high-quality wafers, was based on the expectation that raw material polysilicon and intermediate-material wafers would become scarce as the adoption of solar power generation picked up momentum. NorSun AS also plays a key role in manufacturing high-efficiency and high-quality solar power cells. Next, we will explain the background of our focused investment of capital in downstream system integrators. In the future, with rapidly increasing competition in the areas of technological innovation and cost reductions, we assume that there will be risks of a dramatic change in the industry structure. On the other hand, marketing capabilities can become a stable strength, and we will be able to flexibly respond to changes in the industry and steadily increase profits. The European system integrators (SIs) in which we invested conduct design and installation of large-scale solar power generation facilities, known as solar parks. In collaboration with superior partners, ITOCHU will enter power generation operations by acquiring solar parks.

Another important strategy is to move ahead of our competitors by being the first to enter into partnerships with companies boasting technical and competitive strengths in strategically important business areas and markets. For example, looking at downstream system integrators, we acquired U.S. companies Solar Depot, LLC and SolarNet, LLC, thereby securing the top share in the U.S. wholesale market for solar power generation systems for industrial and residential use. Also, in April 2009 we acquired Ecosystem Japan Co., Ltd., and as a result we now have one of the top shares of the market for residential-use solar power generation systems.

To increase the competitiveness of the companies in which we have invested, we are supporting them from a variety of angles. Ecosystem Japan Co., Ltd. is a good example. In addition to participating in management and supporting them in the area of procurement, ITOCHU is working to generate synergies in sales channels by leveraging the ITOCHU Group's access to a range of industries. For example, together with ITOCHU ENEX CO., LTD., we are expanding sales channels using the LP gas individual residence sales network, and with Orient Corporation, we are working in the area of installment loans. In addition, we are opening up the market for industrial-use systems by utilizing the ITOCHU Group's corporate customer network.

Synergies with a Wide Range of Fields

Ecosystem Japan
Solar power generation system
Sales / installation

Provision of added value to customers / facilities through solar power generation

Implementation of sales tie-up for individual residences
- ITOCHU ENEX
- YANASE

Provision of financial services
- Orient Corporation

Support for introduction to condominiums / shops
- ITOCHU Property Development, Ltd.
- FamilyMart

Introduction of new counterparties / projects
- Offices, branches, and others

An example of a solar power generation system installed by Ecosystem Japan Co., Ltd.

Continually Anticipating Changes, and Bolstering and Expanding the Value Chain

We have built a foothold in key business areas. Moving forward, in priority markets—the U.S., Europe, and Japan—we will bolster the companies in which we have invested and pursue operational scale throughout the value chain. On the other hand, while giving consideration to bolstering procurement of polysilicon, which is the furthest upstream business area, we will continue to uncover new projects and further extend the value chain.

The arrival at so-called grid parity, where the cost of solar power generation declines to the level of existing electric power rates, is likely to be a major turning point toward an upsurge in the adoption of solar power generation. Until that point, we will respond to gradual declines in subsidies and FIT, and build a system that is both appropriate to the circumstances and flexible, with the objective of securing substantial profits in the period of full-scale adoption of solar power generation. This approach to the market leverages the strengths of ITOCHU as a general trading company—comprehensive capabilities, maneuverability, and the ability to gather the latest information.