ITOCHU Corporation

Pioneering DNA

Annual Report 2008

For the year ended March 31, 2008

挑む遺伝子

Our 150th Anniversary

ITOCHU Corporation was founded in 1858, the year in which Chubei Itoh set out from Toyosato Village in Shiga Prefecture on a journey to Osaka as a traveling linen merchant. Proudly upholding Chubei Itoh's *sampo yoshi* business philosophy of benefiting the seller, the buyer, and society, we are celebrating our 150th anniversary in 2008. During a century and a half, ITOCHU has come through many trials thanks to its insatiable appetite for taking on challenges, an attitude that has remained intact across the ages to create a unique corporate culture.

The Japanese characters on the cover, which are the equivalent of "*Pioneering DNA,*" were drawn by Eizo Kobayashi, the President and Chief Executive Officer.

A *daifukucho* ledger from the time of ITOCHU's founding, used to record incomings and outgoings.

From the Edo Era through to the Meiji Era, merchants used *daifukucho* ledgers to manage accounting information.

Forward-Looking Statements

This Annual Report contains forward-looking statements regarding ITOCHU Corporation's corporate plans, strategies, forecasts and other statements that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which ITOCHU Corporation operates. As the expectations, estimates, forecasts and projections are subject to a number of risks, uncertainties and assumptions, including without limitation, changes in economic conditions; fluctuations in currency exchange rates; changes in the competitive environment; the outcome of pending and future litigation; and the continued availability of financing, financial instruments and financial resources, they may cause actual results to differ materially from those presented in such forward-looking statements. ITOCHU Corporation, therefore, wishes to caution that readers should not place undue reliance on forward-looking statements and, further, that ITOCHU Corporation undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments.

The Long March Forward

Chubei Itoh
(1842–1903)

Ohmi merchants (courtesy of Museum of Ohmi Merchant)

Chubei Itoh II
(1886–1973)

Headquarters in 1915

Some of Chubei Itoh II's favorite belongings (courtesy of Museum of Ohmi Merchant)

Party to celebrate the re-establishment of C. Itoh & Co., Ltd., in 1949

Milestones

Foundation Period

1858 Chubei Itoh begins itinerant trading of linen, via Osaka, in Senshu and Kishu at the age of 15

1872 Benchu drapery store opens in Honmachi Osaka

1884 Benchu renames Itoh Honten (Itoh Headquaters)

1885 Launches direct trading in sundries with the United States

1893 Itoh Itomise thread and yarn store (from which ITOCHU traces its origins) opens

1914 Reorganizes individual management structure to establish C. Itoh & Co.

1918 C. Itoh & Co.becomes public stock company, C. Itoh & Co., Ltd., and establishes a branch office in New York

Interwar Period

1920 Financial crisis due to stock and commodity market crash following First World War

1920s–30s Establishes overseas branches in various regions

1940 Corporate logo becomes "CI," abbreviated name becomes ITOCHU

1941 Business name changes to Sanko Kabushiki Kaisya Ltd. due to merger of three companies

1944 Business name changes to Daiken Co., Ltd.

1949 Re-establishes C. Itoh & Co., Ltd.

1950 Listed on Osaka Securities Exchange and Tokyo Stock Exchange

World Events

1859 Japan's ports open with ending of national isolation

1914 First World War begins

1919 War ends, Paris Peace Conference held

1920 League of Nations inaugurated, post-war depression

1929 Great Depression

1939 Outbreak of Second World War

1945 War ends, United Nations inaugurated

1946 Promulgation of the Constitution of Japan

1951 San Francisco Peace Treaty signed

1964 Tokyo Olympics

Like Chubei Itoh, who travelled over numerous mountain passes, ITOCHU has survived the challenging journey that is its history by dauntlessly forging ahead through difficulties and unknown territory. As well as clearing many hurdles, the Company has ventured beyond national borders, industry boundaries, and the limits of traditional general trading companies to steadily broaden the scope of its activities.


Petrochemical complex constructed in Algeria


Oil field development in Azerbaijan


JCSAT-1 communication satellite successfully launched in 1989

A FamilyMart convenience store


Current Tokyo Head Office building completed in 1980


Establishment of Marubeni-Itochu Steel Inc. in 2001

The New ITOCHU Era

1952 Establishes ITOCHU America Inc. (now ITOCHU International Inc.)

1950s–60s Develops overseas branches and offices in various regions

1969 Celebrates 100th anniversary, completes new Osaka Head Office building

1972 Designated as a friendly trading company by Chinese government

1977 Acquires Ataka & Co., Ltd.

1980 Completes new Tokyo Head Office building

1987 Establishes C. Itoh (UK) PLC. (now ITOCHU Europe PLC.)

1989 Launches JCSAT-1 communication satellite successfully

1992 Establishes *Committed to the global good* ITOCHU Credo, corporate logo becomes "ITOCHU"

1993 Establishes ITOCHU (China) Holding Co., Ltd.

Striding into the 21st Century

1997 Introduces Division Company System

1998 Acquires stake in FamilyMart Co., Ltd.

1999 Announces of *Challenge for Success in the 21st Century* / introduction of Executive Officer System

2001 Establishes Marubeni-Itochu Steel Inc. through demerger

2004 Merger of operating companies related to natural resource development in Australia, establishment of CI Minerals Australia Pty. Ltd. (now ITOCHU Minerals & Energy of Australia Pty Ltd)

2005 Capital and operational tie-up with Orient Corporation

2006 Launches *ITOCHU DNA Project—Designing New Age*—for business process reengineering in which all employees participate

2007 Launches medium-term management plan Frontier+ 2008—*Enhancing Corporate Value on the World Stage*

1972 Sino-Japanese diplomatic relations normalized

1973 First oil crisis, Yen shifts to floating exchange rate system

1979 Second oil crisis

1985 Plaza Accord signed

1987 New York stock market crashes

1989 Berlin Wall collapses, end of Cold War declared

1990 Tokyo stock market crashes, bubble economy collapses

1995 Yen appreciates rapidly, temporarily reaching US$1 = ¥70

1997 Asian currency crisis

1998 Financial "big bang." Major banks receive public funds

2000 Collapse of the dot-com economic bubble

2005 Japanese population decreases for the first time

Contents

To Our Stakeholders

Celebrating its 150th anniversary, ITOCHU is heir to the business philosophy of *sampo yoshi* and an enterprising spirit that sees change as opportunity. We will continue that legacy while redoubling efforts to develop global human resources to move step by step toward our goal of becoming a *truly global enterprise*.

Our 150th Anniversary

In 2008, ITOCHU reached the historic milestone of its 150th anniversary. I would like to thank our stakeholders because we could not have come this far without their support and guidance.

Throughout business initiatives spanning the lengthy period of a century and a half, *sampo yoshi* has encapsulated our basic philosophy. The unique philosophy of the Ohmi merchants—from among whose ranks our founder Chubei Itoh emerged—*sampo yoshi* stresses that trade must benefit the seller, the buyer, and society. Ahead of its time, the philosophy anticipated the values of modern corporate social responsibility, whereby companies must not only earn profit but consistently meet the expectations of society at large. Inspired by that philosophy, in 1992 we established the ITOCHU Credo—*Committed to the global good*, which clarifies ITOCHU's social responsibilities as an international company operating in 75 countries. At the same time, we are working to achieve continuous corporate growth and a sustainable society.

A New Drive to Become *Truly Global*

During its 150-year history, the Company has faced many sea changes in business conditions. At each of those pivotal moments, we have looked upon change as a chance and always taken on the challenge of creating new businesses. We can aptly describe our history as 150 years of pioneering. Now, our initiatives are approaching a new phase.

Launched in fiscal 2008, our medium-term management plan, Frontier+ 2008—Enhancing Corporate Value on the World Stage, calls for stepping up the pace of *aggressive* corporate management—based on measures for *maintaining a global perspective*, *creating new initiatives,* and *enhancing human resources*—to dramatically increase earnings. To realize the plan's vision of a future in which ITOCHU is *a global enterprise that is highly attractive to all stakeholders,* the Company will build a business structure that generates earnings globally while fostering the human resources to underpin this structure.

Favorable Progress in First Year of Plan

In the first year of our medium-term management plan, the fiscal year ended March 2008, the Company surpassed its initial target of ¥210 billion to post consolidated net income of ¥218.6 billion—achieving record earnings for the fourth consecutive year. Without a doubt natural resource price hikes contributed to that favorable performance. However, we have growing confidence that the Group's overall earning power is mounting steadily. All operating segments recorded earnings above ¥10 billion. And, with the exception of Chemicals, Forest Products & General Merchandise, which was affected by a slumping U.S. housing-related market, all of our operating segments saw higher earnings. Meanwhile, in the fiscal year we steadfastly laid the foundations for further growth through balanced investment of ¥250 billion across three sectors: Consumer-Related; Natural Resource / Energy; and Other, which comprises automobiles, information technology, financial, and chemicals. Among those investment initiatives, we progressed solidly in the development of new business areas, one of the plan's priority measures, by allocating roughly ¥20 billion to L-I-N-E-s, which are creating the wellsprings of future earnings. Also, we made significant advances in preparing the ground for fostering personnel with international outlooks, which we currently view as our first priority. Those measures included establishing Global Talent Enhancement Centers (GTECs) in New York, London, Shanghai, and Singapore.

Preparation for the Next 150 Years

In the first year of Frontier$^+$ 2008, ITOCHU has achieved tangible results. At this point, however, we have only taken the first step toward realizing a vision that stretches far beyond that plan's period. To create new businesses, we must read the tides of change correctly and tackle change head-on. Such alertness and dynamism is essential for ITOCHU's continuing growth and is the *pioneering DNA* that has driven our growth over the past 150 years. Further, as a company seeking worldwide recognition as a *truly global enterprise,* nothing is more important than nurturing diverse personnel with international outlooks. While keeping that imperative foremost in our minds, we will use the occasion of our 150th anniversary to revisit our ITOCHU Credo—*Committed to the global good*, which we will adhere to as we pave the way for the next 150 years.

As we take on those challenges, I would like to ask our stakeholders for their further support and understanding.

July 2008

Eizo Kobayashi

President and Chief Executive Officer

Consolidated Financial Highlights

ITOCHU Corporation and Subsidiaries
Years ended March 31

	Millions of Yen					Increase (Decrease)	Millions of U.S. Dollars
	2008	2007	2006	2005	2004	2008/2007	**2008**
For the fiscal year:							
Revenue	**¥2,861,210**	¥2,647,202	¥2,218,221	¥1,991,238	¥1,738,747	8.1%	**$28,558**
Gross trading profit	**995,904**	908,676	714,374	630,761	555,895	9.6	**9,940**
Net financial expenses*1	**(7,709)**	(7,555)	(7,816)	(6,878)	(14,215)	2.0	**(77)**
Net interest expenses*2	**(32,156)**	(29,218)	(26,032)	(21,040)	(24,743)	10.1	**(321)**
Dividends received	**24,447**	21,663	18,216	14,162	10,528	12.9	**244**
Equity in earnings (losses) of associated companies	**70,238**	(20,069)	51,737	31,764	22,859	—	**701**
Net income (loss)	**218,585**	177,059	145,146	77,792	(31,944)	23.5	**2,182**
At fiscal year-end:							
Total assets	**¥5,255,420**	¥5,271,512	¥4,797,013	¥4,472,345	¥4,487,282	(0.3)	**$52,455**
Stockholders' equity	**978,471**	896,195	726,816	510,397	422,866	9.2	**9,766**
Net interest-bearing debt*3	**1,654,532**	1,630,928	1,724,314	1,891,086	1,977,048	1.4	**16,513**
Cash flows:							
Cash flows from operating activities	**¥ 65,552**	¥ 235,917	¥185,147	¥ 126,624	¥184,780	(72.2)	**$ 654**
Cash flows from investing activities	**(65,774)**	(83,394)	(79,871)	(127,600)	(55,300)	(21.1)	**(656)**
Cash flows from financing activities	**(81,294)**	(100,920)	(85,193)	(125,342)	(79,695)	(19.4)	**(811)**
Cash and cash equivalents at end of year	**446,311**	532,856	477,707	452,934	579,565	(16.2)	**4,455**
	Yen (Unless otherwise specified)					Increase	U.S. Dollars
Per share:							
Net income (loss)	**¥138.27**	¥111.95	¥ 91.74	¥ 49.16	¥ (20.20)	23.5%	**$1.38**
Stockholders' equity	**619.01**	566.78	459.47	322.54	267.25	9.2	**6.18**
Cash dividends	**18.0**	14.0	9.0	7.0	—	28.6	**0.18**
Ratios:							
Gross trading profit ratio (%)	**8.0**	7.8	6.8	6.6	5.8		
ROA (%)	**4.2**	3.5	3.1	1.7	—		
ROE (%)	**23.3**	21.8	23.5	16.7	—		
Ratio of stockholders' equity to total assets (%)	**18.6**	17.0	15.2	11.4	9.4		
Net debt-to-equity ratio (NET DER) (times)	**1.7**	1.8	2.4	3.7	4.7		
Interest coverage (times)	**6.2**	6.7	5.7	5.7	2.7		
	Millions of Yen					Increase (Decrease)	Millions of U.S. Dollars
(Reference)							
Total trading transactions	**¥12,412,456**	¥11,579,059	¥10,473,885	¥9,576,039	¥9,516,967	7.2%	**$123,889**
Adjusted profit*4	**335,030**	241,931	252,038	188,807	100,676	38.5	**3,344**

All figures are for fiscal years, which begin on April 1 of the years preceding and extend through March 31.
The Japanese yen amounts for the year ended March 31, 2008 have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥100.19 = U.S.$1, the official rate of The Bank of Tokyo-Mitsubishi UFJ, Ltd., as of March 31, 2008.
Revenue is presented in accordance with "Emerging Issues Task Force (EITF)" No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent."
Total trading transactions are presented in accordance with Japanese accounting practice.
Total trading transactions consist of sales with respect to transactions in which the companies act as principal and the total amount of transactions in which the companies act as agent.
Net income (loss) per share and stockholders' equity per share are calculated by using the shares that exclude the number of treasury stock from that of common stock issued.

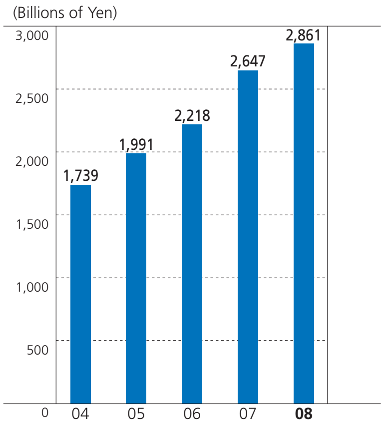
*1 Net financial expenses = Net interest expenses + Dividends received
Calculation formula (Fiscal 2008: ¥ million): (7,709) = (32,156) + 24,447

*2 Net interest expenses = Interest income + Interest expense
Calculation formula (Fiscal 2008: ¥ million): (32,156) =17,829 + (49,985)

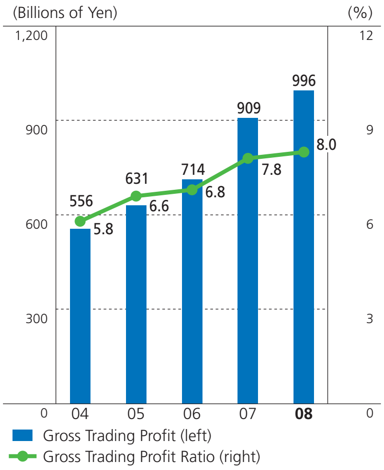
*3 Net interest-bearing debt = Interest-bearing debt − Cash, cash equivalents and time deposits
Calculation formula (Fiscal 2008: ¥ million): 1,654,532 = 2,104,402 − 449,870

*4 Adjusted profit =Gross trading profit + Selling, general and administrative expenses + Net financial expenses + Equity in earnings (losses) of associated companies
Calculation formula (Fiscal 2008: ¥ million): 335,030 = 995,904 + (723,403) + (7,709) + 70,238

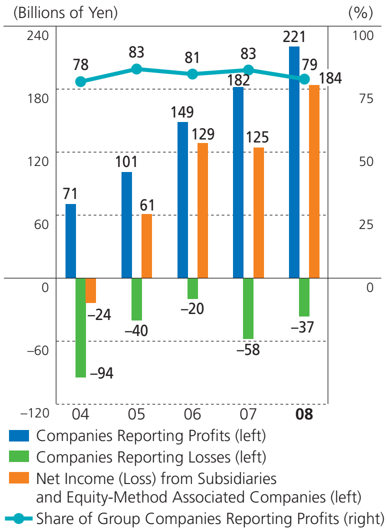
Revenue



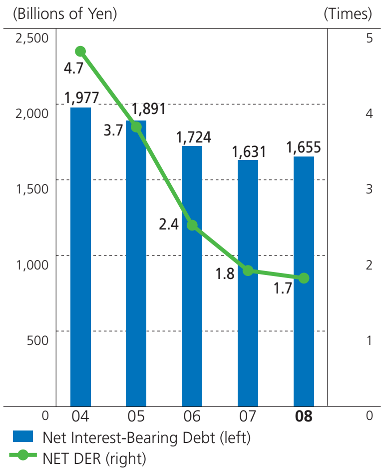
Gross Trading Profit / Gross Trading Profit Ratio



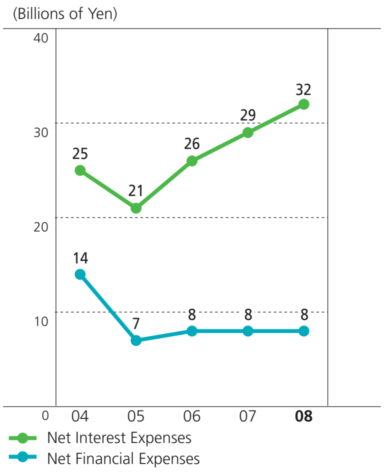
Net Income (Loss) from Subsidiaries and Equity-Method Associated Companies



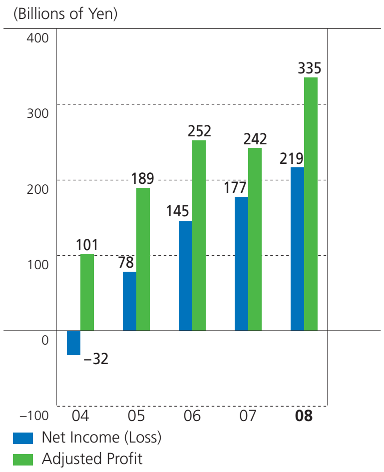
Net Interest-Bearing Debt / NET DER



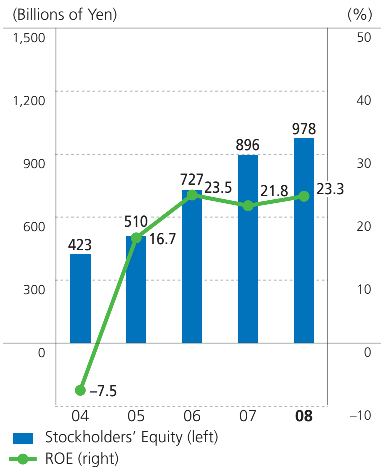
Net Interest Expenses / Net Financial Expenses



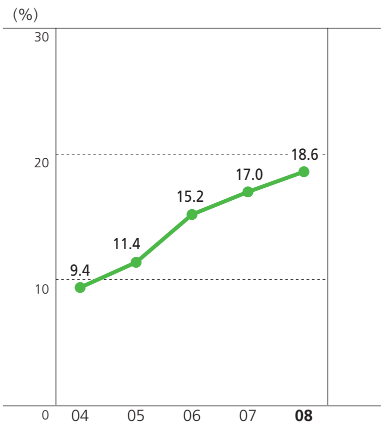
Net Income (Loss) / Adjusted Profit



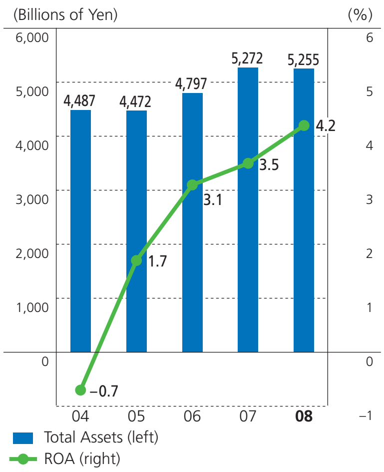
Stockholders' Equity / ROE



Ratio of Stockholders' Equity to Total Assets



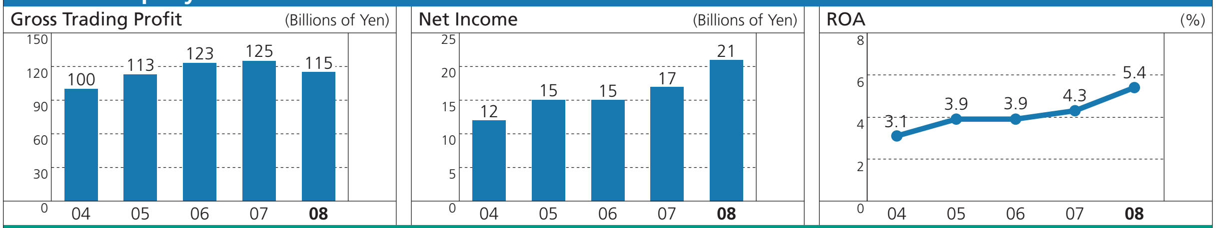
Total Assets / ROA



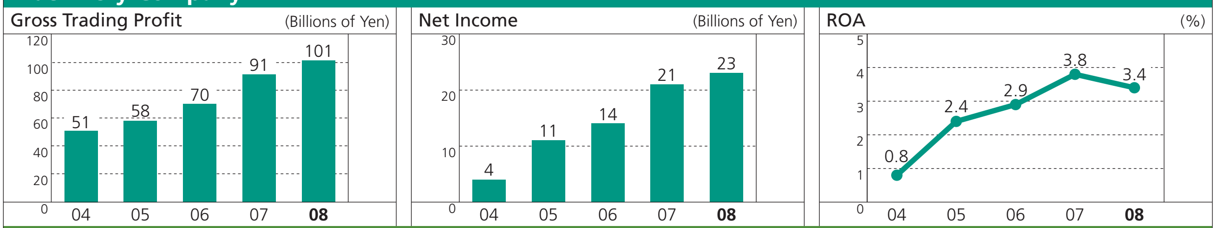
Segment Highlights

ITOCHU Corporation and Subsidiaries
Years ended March 31

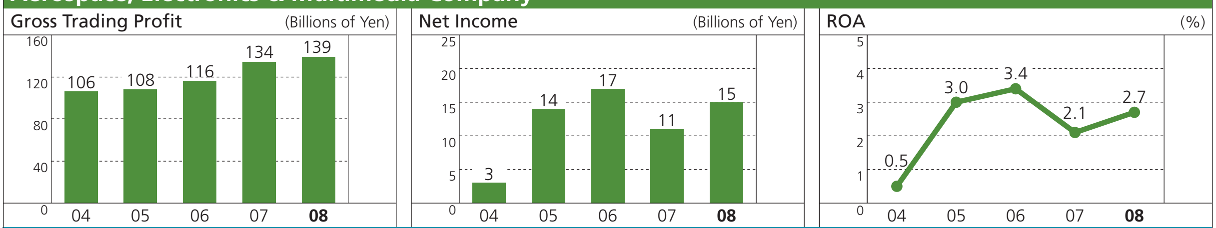
Textile Company



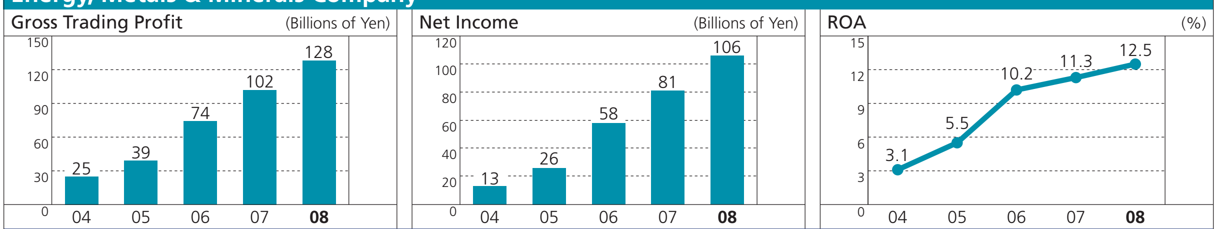
Machinery Company



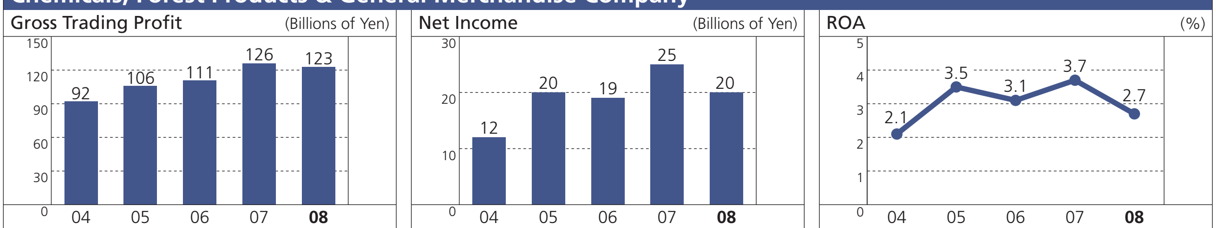
Aerospace, Electronics & Multimedia Company



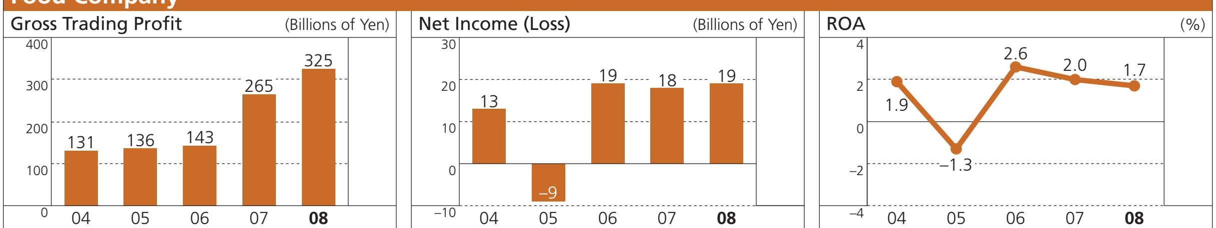
Energy, Metals & Minerals Company



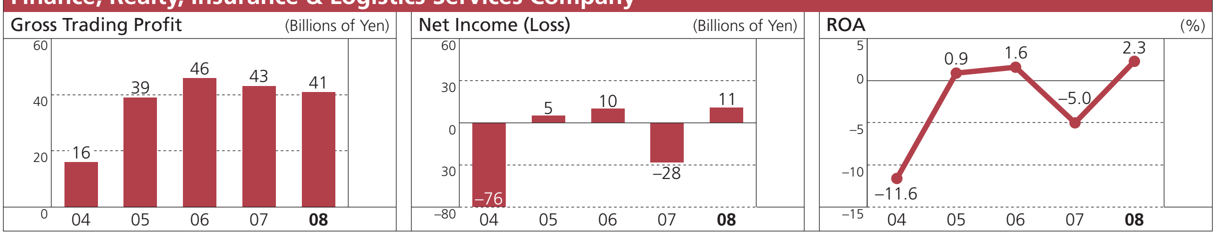
Chemicals, Forest Products & General Merchandise Company



Food Company



Finance, Realty, Insurance & Logistics Services Company



Pioneering DNA
—Foundations of Sustainable Growth

On many occasions, ITOCHU has faced changing conditions and come through with flying colors. The source of our strong determination to surmount such barriers has always been *pioneering DNA*. As long as it passes on that DNA, ITOCHU will overcome difficulties and grow continuously. Explaining how ITOCHU's *pioneering DNA* has produced growth drivers suited to changing times, this section focuses on four themes: building new earnings foundations, overcoming crises, managing risks, and fostering personnel for tomorrow.

Pioneering DNA
—Building New Earnings Foundations

Flashback

Vaulting from Itinerant to General Trading

Tracing back to Chubei Itoh's selling of linen as a traveling merchant, ITOCHU's history reveals a company that has always been keenly alert to signs of change and eager to pioneer new business areas.

Inheriting a traditional textile wholesale business, Chubei Itoh's son Seiichi (Chubei Itoh Ⅱ) developed it into an international general trading company. As well as increasing lineups from linen to cotton yarn and then to cotton textile, Chubei Itoh Ⅱ established footholds for overseas trading. From the 1910s through to the 1930s, he grew exports of processed cotton while leading the modernization of Japanese industry by adding to the steel and machinery lineups of nontextile divisions. After the Second World War, the Company was reestablished and gathered strength as a general trading company by pioneering such new business areas as aircraft, automobiles, and oil in step with the revival of Japan's economy.

Ohmi merchants
(courtesy of Museum of Ohmi Merchant)
The Ohmi merchants had strong beliefs and high ideals about trading. ITOCHU's founder Chubei Itoh made those ideals, *sampo yoshi,* the heart of his approach to business. *Sampo yoshi* is the idea that trading must benefit all three parties: the seller, the buyer, and society.

Internationalizing and Going Beyond Commission-based Businesses

During Japan's period of rapid economic growth, ITOCHU accelerated its evolution into a general trading company by increasing the products that nontextile divisions carried to include metals, oil, and other energy-related products; automobiles, plant, and other machinery; chemical products; and food. At this time, internationalization was progressing apace. Representative of the general trading company's role in such an age of internationalization was our 1971 intermediation in the comprehensive tie-up between General Motors Corporation of the United States and Isuzu Motors Limited of Japan. As the period of rapid economic growth drew to a close and Japan's economic structure increasingly reflected a shift from industry to services, we launched information and technology businesses ahead of competitors. From the second half of the 1990s, we stepped up the pace of development in areas beyond our traditional commission-based businesses by entering in earnest the retail business area, a downstream area. Our acquisition of shares of FamilyMart Co., Ltd., was one such initiative.

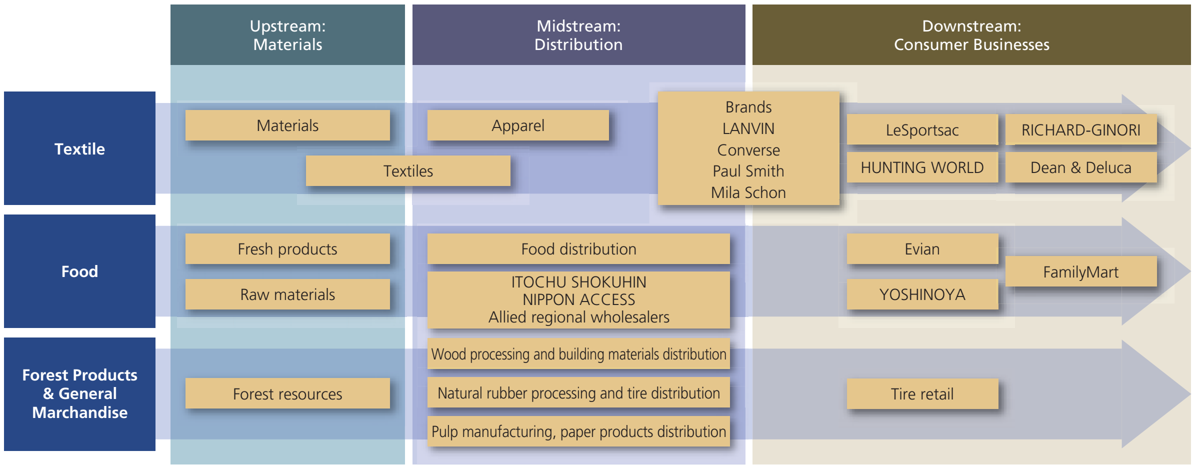
A FamilyMart convenience store
ITOCHU's acquisition of FamilyMart shares in 1998 marked the Company's full-fledged entry into the retail business area, a downstream area. Since then, we have been building solid value chains in Consumer-related business areas.

Growth Driver Born of *Pioneering DNA*

Value Chains

By encouraging the pioneering of new business fields, ITOCHU's *pioneering DNA* has laid the sound foundations for growth that the Company has today. Our development of business in upstream areas through to downstream areas has created systems that integrate raw materials, processing, distribution, and retail, enabling supply chain management to reflect today's fluctuating consumer demand. Those integrated systems act as value chains that consecutively build the Group's overall corporate value. For example, in Consumer-related business areas, companies in contact with consumers feedback information on consumer demand garnered from sales to upstream, product planning, which tailor products to match that demand very closely. Moreover, passing on that information to raw material procurement bases in Japan and overseas enables us to procure competitive raw materials and materials and achieve efficient, low-cost production. Further, the midstream distribution system within the Group ensures timely supply to market. By integrating upstream, midstream, and downstream areas and circulating information, systems that successively create value in each business area are one of the foundations of ITOCHU's sustainable growth.

Value Chains in Consumer-Related Business Areas



Pioneering DNA
—Overcoming Crises

Flashback

Living to Fight Another Day

Through active, alert, and rational management, ITOCHU has survived historic upheavals, including panics, earthquakes, and wars. Among those crises, the economic turmoil following World War Ⅰ brought ITOCHU to the very brink of bankruptcy. Triggered by measures to curb a speculative market bubble, a collapse of share prices on the Tokyo Stock Exchange led to a slump in the market prices for silk and cotton yarn. Unable to collect trade receivables, the Company incurred huge debts. Chubei Itoh Ⅱ recalled his state of mind at the time as being beyond words. In response to the crisis, the Company returned its lineup to cotton textile and withdrew from international trading to concentrate on its original business. At the same time, ITOCHU decisively consolidated its workforce and reduced costs, enabling it to repay all of its debts and make an impressive comeback. During that period Chubei Itoh Ⅱ would say that he that fights and runs away lives to fight another day.

Weathering the Trading Company Winter

After the first oil shock, trading companies faced tough business conditions, or a "winter" period, due to a tightening of monetary policy in response to spiraling commodity prices. ITOCHU merged with Ataka & Co., Ltd., which was in financial difficulty. Also, the Company accelerated the reengineering of its business structure to keep in step with the structural shift in Japan from heavy to light industry. Undaunted by the crisis, we stepped up overseas investment in natural resource development, plant, and large-scale projects. Together with the indomitable spirit that all of our employees showed, those initiatives got us through the trading company "winter."

A natural gas pipeline in Algeria

Through *aggressive* strategies in such business areas as energy-related plant exporting, natural resource development, and information-related businesses, we rode out the tough conditions that befell midstream commission-based businesses directly after the oil shocks.

Tokyo Head Office building in Aoyama, Tokyo

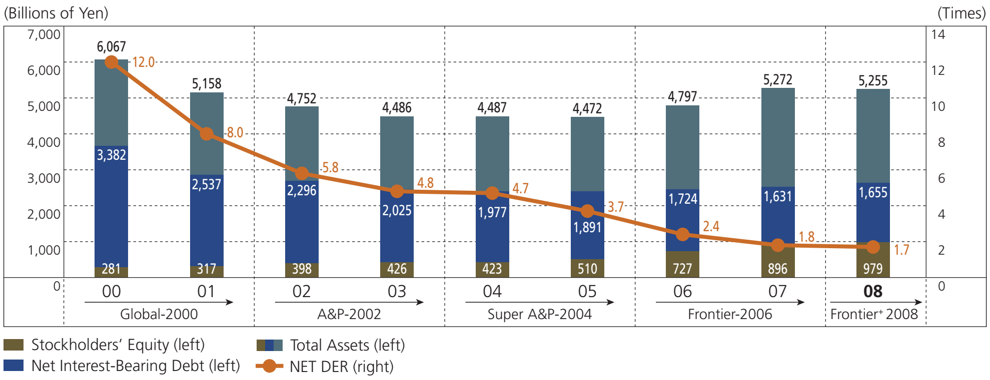
The present-day Tokyo Head Office building was completed in Aoyama, Tokyo, in 1980, in the midst of the tough business conditions known as the trading company "winter." ITOCHU's bold decision to build a new head office regardless heralded the raising of the curtain on a new era for the Company.

Growth Driver Born of *Pioneering DNA*

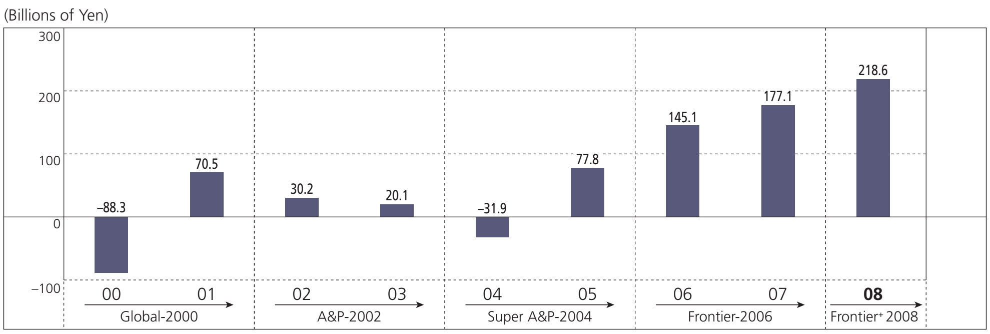
Ability to Reform

Overcoming difficulties by tackling them head-on is part of ITOCHU's heritage that continues to this day. Our reforms in from late 1990s testify to that unchanging mind-set. At the time, we were in the predicament of having earning power to rival the best in the industry while carrying a massive interest-bearing debt and businesses that had low efficiency or were unprofitable. Consequently, we were forced to use most of our earnings to pay interest. After announcing our *Challenge for Success in the 21st Century* in 1999, we decisively and uncompromisingly disposed of low-efficiency or unprofitable businesses. While fiscal 2000 saw ITOCHU recognize ¥303.9 billion in losses related to the disposal of underperforming assets, in the following fiscal year the Company achieved a V-shaped recovery in business results, posting its highest-ever net income. With characteristic tenacity, we continued restructuring to build the business foundations that enable our current aggressive business strategies. That turnaround exemplifies a flexible management philosophy based on the philosophy of Chubei Itoh Ⅱ that he that fights and runs away lives to fight another day.

Sounder Financial Position Builds Foundations for *Aggressive* Business Strategies



Consolidated Net Income (Loss) on Steady Growth Track



Pioneering DNA
—Managing Risks

Flashback

Being Prepared

Studying overseas, Chubei Itoh Ⅱ became familiar with risk management as one of the era's progressive ideas. At that time, most Japanese businessmen viewed fire insurance as a waste of money. However, Chubei Itoh Ⅱ saw the value of fire insurance, which was becoming a norm in the West, and had his stores and products covered. That decision minimized the damage to the Company when fire completely destroyed ITOCHU's headquaters in September 1910. As word spread of how ITOCHU had largely escaped damage, taking out fire insurance policies became general practice. Based on his insight into likely future trends, Chubei Itoh Ⅱ took a range of steps to minimize risks. After the fire, he unhesitatingly built a three-storey warehouse, which as Japan's first reinforced concrete building was more fire-resistant than traditional wooden structures.

Hedging Risks

Through its inaugural textile business, ITOCHU devised advanced risk management methods covering market risk and credit risk. Later, as we shifted from our traditional commissions-based businesses toward investing in businesses and becoming involved in the management of investees, we evolved comprehensive risk management methods in light of our overall business portfolio. Those methods built the balanced business portfolio we have today. For example, in natural resource development we disperse country risk through balanced investment in such countries and regions as Azerbaijan, Australia, North America, and the North Sea. Similarly, we avoid concentrating risk in specific business areas by dispersing investment across different industries and periods.

Japan's first reinforced concrete warehouse, built by Chubei Itoh Ⅱ

In 1910, based on a book about the building of reinforced concrete structures he had brought back from the United Kingdom, Chubei Itoh Ⅱ built the first reinforced concrete warehouse in Japan.

NCA Project in Australia

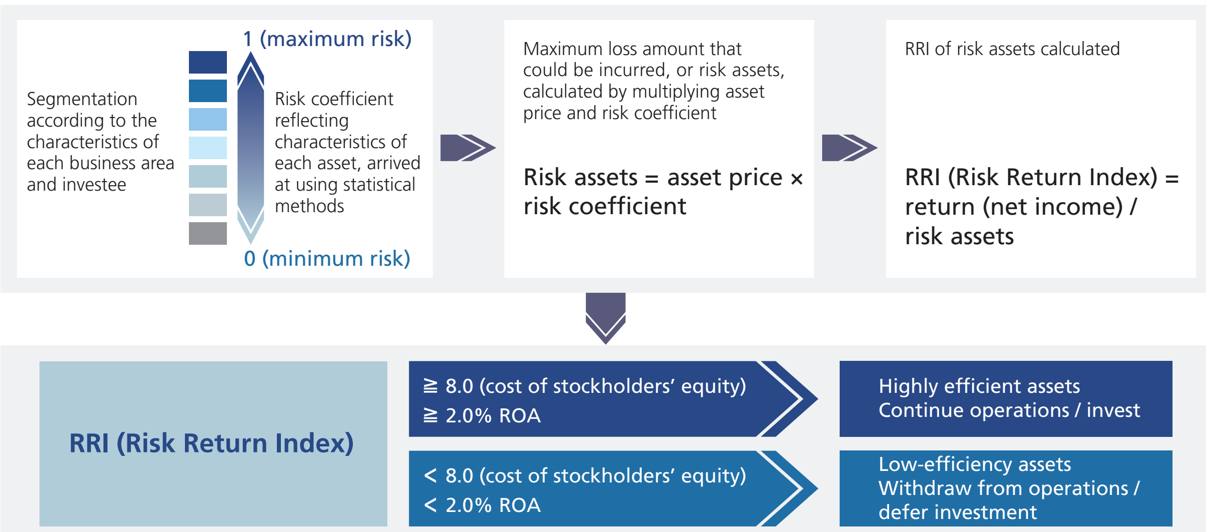
While basing our oil development businesses in such regions as Azerbaijan and our coal and iron ore development businesses in Australia, we have invested in countries the world over to avoid regional risk imbalances.

Growth Driver Born of *Pioneering DNA*

Aggressive Risk Management

ITOCHU business activities face extremely diverse risks, including credit risk, market risk, and country risk. The sophistication of our risk management methods is increasing with the growing size and variety of risks associated with the globalization of our investment activities. In addition to conventional risk management that avoids the overweighting of risk in particular regions or businesses, we use Risk Capital Management (RCM), which is based on quantitative analysis of risk. In RCM, we divide business areas that division companies and investments cover according to the business areas' characteristics. We then establish a risk coefficient for each asset that reflects its characteristics. Known as risk assets, the maximum loss that the Company could incur as a result of owning a given asset is calculated by multiplying the asset amount and the risk coefficient. We measure the efficiency of assets based on the rate of return from the risk assets, in other words a Risk Return Index (RRI). ITOCHU withdraws from assets with low efficiency while channeling investment to those with high efficiency based on the index. To ensure a balance with stockholders' equity, we have established benchmarks that include more than 8.0% of the cost of stockholders' equity for RRI and above 2.0% for ROA. And, we have put in place exacting investment standards linked to the earnings levels. In this way, our RCM method simultaneously achieves our goals of *solid management* and more *aggressive* corporate management by limiting investment risk while concentrating management resources on highly efficient business segments.

Risk Capital Management (RCM)



Quantitative analysis of risk, risk management for each division company, and management of the Company's overall risk amount enable the Company to focus investment on highly efficient assets. This is a rational risk management approach for general trading companies, given that they have operations in a wide range of business areas and face diverse risks.

Pioneering DNA
—Fostering Personnel for Tomorrow

Flashback

Raising “a Hundred Sons”

An extremely farsighted individual, the Company’s founder Chubei Itoh included “sharing profit three ways” as a basic profit distribution policy in the “store law” when opening the Benchu drapery store in 1872. This meant dividing profit equally among the head family, stores’ reserve funds, and store employees. That example gives a glimpse of Chubei Itoh’s philosophy and the great care with which he treated store employees. Moreover, illustrating the critical importance in Chubei Itoh’s business philosophy of developing and capitalizing on personnel to advance the Company, the “store law” included “consensual decision making systems,” “personnel development,” and “delegation of authority.” After the store closed for the day, the Company enabled store employees to gain an education equivalent to today’s high-school education. Chubei Itoh’s ambition was to “raise a hundred sons rather than a single son.” Chubei Itoh, Chubei Itoh Ⅱ, and successive management leaders have inherited and passed on that dream and realized it on an ever-increasing scale.

Telling No Lies

Chubei Itoh Ⅱ stated that “because individuals form the base of a company developing the individual develops the company,” testifying to the strong conviction he brought to human resources development efforts. The type of individuals Chubei Itoh Ⅱ sought and his thinking on personnel development are evident from his comment on business philosophy: “a businessman must never lie,” “we must always have the bravery to advance straight forward,” and “a businessman only gains by studying twice as much others.”

ITOCHU has grown and prospered by flexibly adapting its business structure to reflect society’s many structural changes. As times change, one fact remains unaltered: the Company does not have in-house production facilities or technological capabilities. In other words, today, as in the past, employees are ITOCHU’s growth driver. Passed down through the generations, the above-mentioned business philosophy has produced ITOCHU employees that have an insatiable appetite for challenges and pioneer new business areas while giving first priority to corporate social responsibility.

Chubei Itoh (1842–1903)
Based on progressive ideas familiar in modern corporate management such as consensual decision making systems and the delegation of authority, he began modernizing ITOCHU from its earliest days.

Chubei Itoh Ⅱ (1886–1973)
His conviction that “a businessman must never lie” has been passed on from one generation of leaders to the next to become ITOCHU’s signature business tenet.

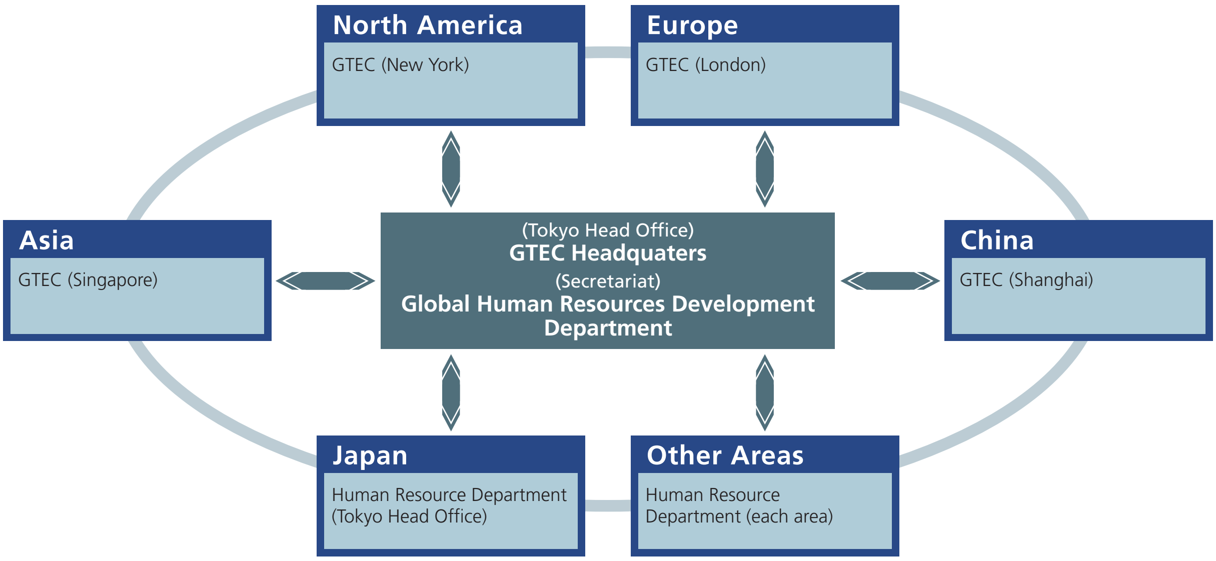
Growth Driver Born of *Pioneering DNA*

System for Developing Personnel with a Global Perspective

The Company's systems for fostering and getting the best out of employees have evolved in step with ITOCHU's role as a general trading company and encompass the development of tomorrow's management leaders, the development of personnel to further unite and globalize the Company, and human resource development catering to diverse employees and career paths. Now, setting our sights on Frontier+ 2008's goal of becoming a *truly global enterprise,* we are stepping up efforts to build systems that will develop personnel with a global perspective. In order to advance global human resources strategies that will optimize the entire Group on a worldwide basis, we established Global Talent Enhancement Centers (GTECs) in New York, London, Shanghai, and Singapore in October 2007. At the same time, to control those centers we established GTEC Headquaters at Tokyo Head Office and, as its secretariat, the Global Human Resources Development Department. The establishment of GTECs is enabling us to go beyond the limits of previous initiatives centered on Japan and the Tokyo Head Office and forge ahead with strategies that are maximizing the added value of human resources on a worldwide basis. In the fiscal year ending March 2009, stepping up the pace of initiatives, GTECs are coordinating on a global basis with Division Companies and Administration Divisions in the Tokyo Head Office to continuously secure, develop, and optimally utilize personnel—regardless of gender, nationality, or age—who will drive ITOCHU's transformation into a *truly global enterprise*.

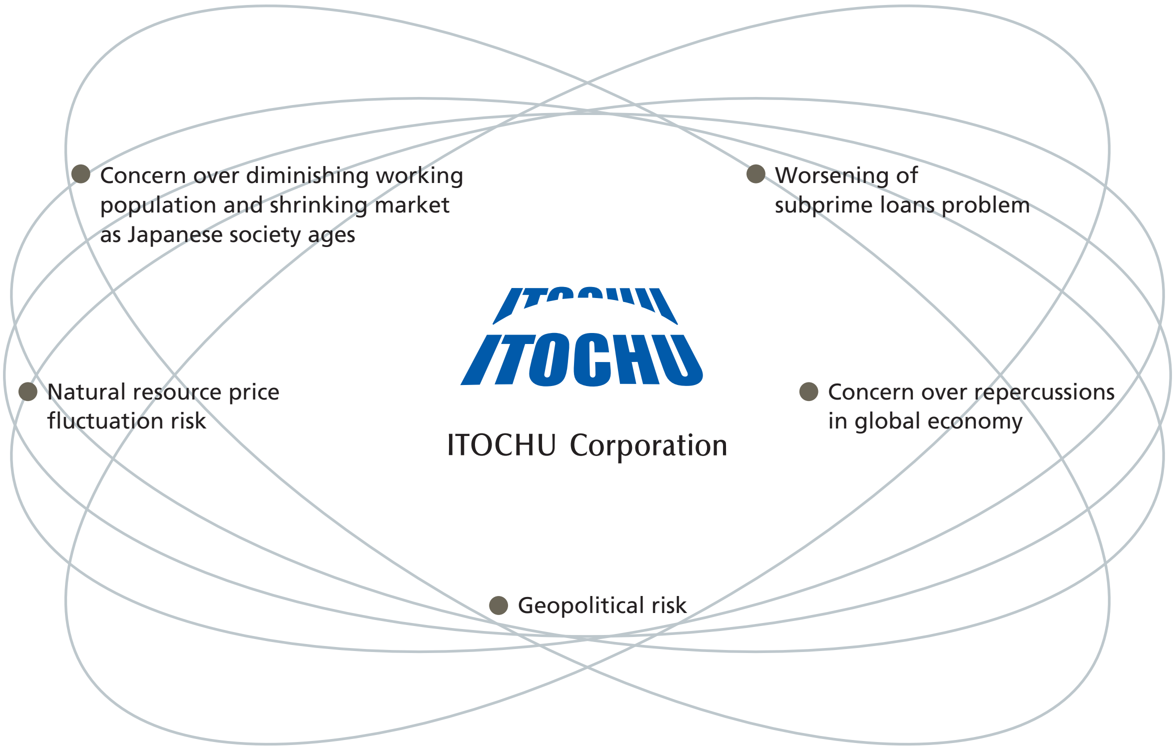
Looking ahead to the next 150 years, ITOCHU will uphold and implement globally Chubei Itoh's business tenet of "putting people at the heart of management."

System for Advancing Global Human Resources Strategies



Pioneering DNA that Enables Sustained Growth

Fueled by the growth of Brazil, Russia, India, China, and other emerging nations, the evolution of biotechnology and nanotechnology, and the heightening of worldwide concern with environmental preservation, ITOCHU's earnings opportunities are multiplying globally and almost without limit. On the other hand, those trends are accompanied by growing uncertainties, which could obstruct continuous growth.



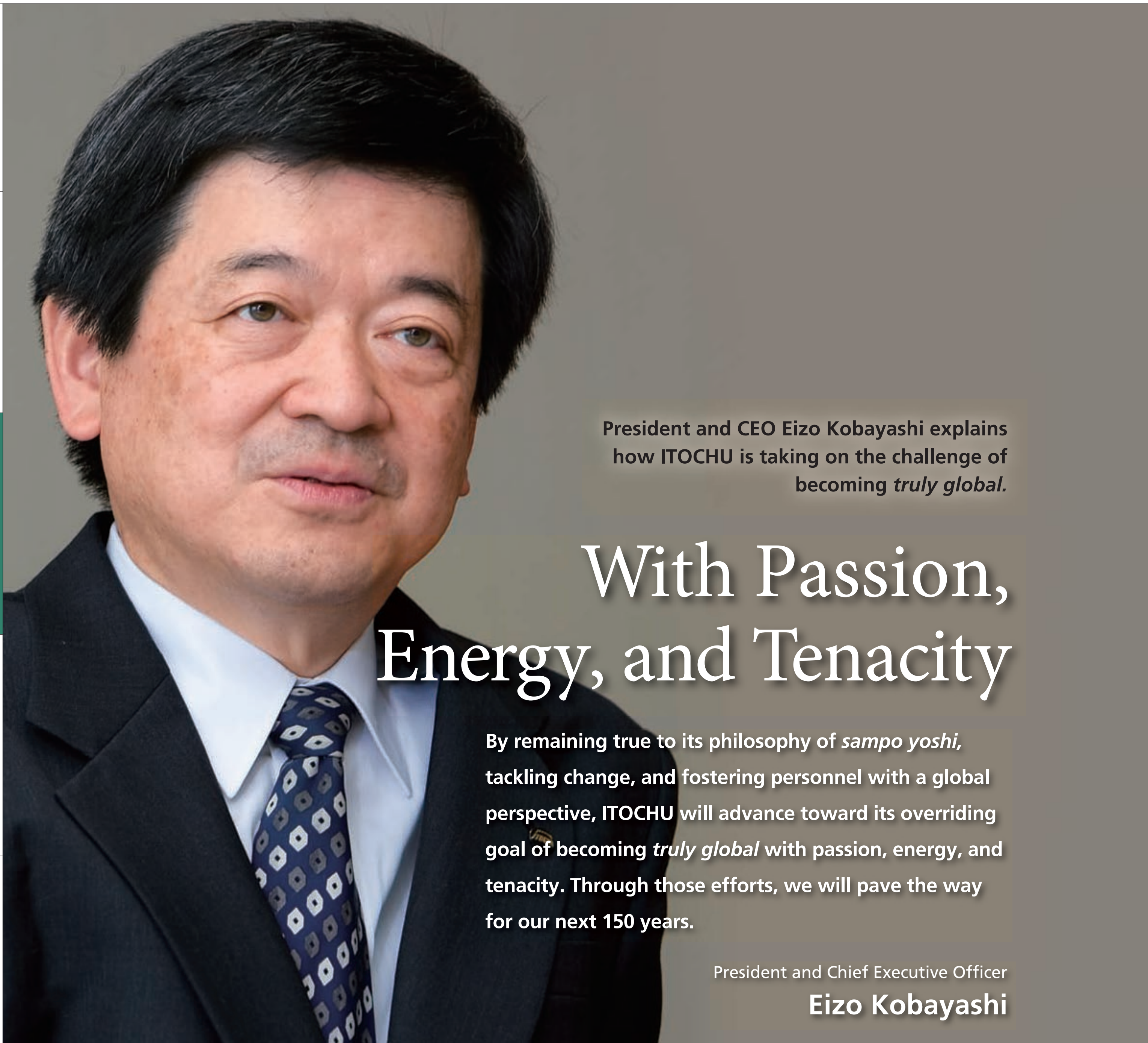
However, ITOCHU's *pioneering DNA* creates

- ▶ Ability to create new earnings platforms
- ▶ Indomitable spirit that surmounts crises
- ▶ Farsightedness and expertise in avoiding risk
- ▶ Programs for fostering next-generation of personnel

By harnessing those intrinsic strengths, we will tackle changing conditions head-on and overcome them. At the same time, we will hand down and foster *pioneering DNA* to achieve sustainable growth for the next 150 years.

Enhancing Corporate Value on the World Stage

Pioneering DNA has always driven ITOCHU's development. And, it is motivating us today as we set out on a quest to reach new heights and a new stage in our evolution. The Frontier^{+} 2008 medium-term management plan calls on ITOCHU to be a *truly global enterprise.* What does that entail and what is the role of general trading companies? President and CEO Eizo Kobayashi talks about his passionate belief in the need to prepare ITOCHU for the challenges of the next 150 years.



President and CEO Eizo Kobayashi explains how ITOCHU is taking on the challenge of becoming *truly global.*

With Passion, Energy, and Tenacity

By remaining true to its philosophy of *sampo yoshi,* tackling change, and fostering personnel with a global perspective, ITOCHU will advance toward its overriding goal of becoming *truly global* with passion, energy, and tenacity. Through those efforts, we will pave the way for our next 150 years.

President and Chief Executive Officer
Eizo Kobayashi

First Step toward Becoming *Truly Global*

In fiscal 2008, ended March 31, 2008, ITOCHU moved toward becoming a *truly global enterprise,* a goal of its Frontier+ 2008 medium-term management plan, by building on the solid foundations for growth that it has established through tireless business reengineering since the late 1990s. That plan sets out two main goals: growing revenues and earnings dramatically by being more *aggressive* and becoming *a global enterprise that is highly attractive to all stakeholders.* Also, we are stepping up measures aimed at *maintaining a global perspective*, *creating new initiatives*, and *enhancing human resources*. In the first year of the plan, fiscal 2008, we made a favorable start, surpassing our initial target of ¥210 billion to achieve net income of ¥218.6 billion and post record earnings for the fourth consecutive year. On the other hand, I feel qualitative measures to become a *truly global enterprise* have not yet gone far enough. I want to explain what we mean by a *truly global enterprise* and why we are targeting this goal now.

Why Become *Truly Global* Now?

Since its founding in 1858, ITOCHU has shown an insatiable appetite for taking on challenges, which has enabled it to overcome many difficulties and thrive. However, with major changes in business conditions approaching, ITOCHU is at a juncture where it may or may not get on track for sustainable growth.

Japan's economy has entered a low-growth period, in which growth remains on a par with those of other developed economies, around 2%. Against the backdrop of an aging society, ITOCHU and many Japanese companies will face tough business conditions characterized by a shrinking workforce and market. In contrast, since around 2003 economies worldwide have been growing at a real rates of about 4% or higher, with China achieving roughly 10% annually. Particularly in the past few years, economies worldwide have seen even higher rates of real growth of approximately 5%. Facing those conditions, how can ITOCHU continue, or surpass, its high growth of previous years? Of course, we have to undertake a full-fledged shift in the focus of our businesses from Japan to rapidly expanding overseas economies. Operating multifaceted, international businesses, ITOCHU has already earned a reputation as a "global" company. But, I believe a *truly global enterprise* must be firmly rooted in countries worldwide, be customer's first choice around the world, operate businesses the world over, and have earnings that rank among the world's top 100 corporations. Unfortunately, ITOCHU has not yet met those criteria. To become a *truly global enterprise,* aside from expanding earnings foundations around the world, nothing is more important than fostering the personnel with a global perspective because they underpin international business activities. Accordingly, I would like to outline my thoughts on personnel and our strategies for developing personnel.

Outline

Frontier+ 2008 —Enhancing Corporate Value on the World Stage

BASIC POLICY

In addition to continuing efforts reflecting Frontier-2006 themes, we will be more aggressive. At the same time, we will strive to become *"a global enterprise that is highly attractive to all stakeholders."*

[Maintain a Global Perspective]
Increase earnings worldwide by developing business as a *truly global enterprise*

[Create New Initiatives]
Leverage change, take on challenges, and open up new areas

[Enhance Human Resources]
Seek, foster, and fully draw on the talents of personnel worldwide

KEY MEASURES

Develop new business areas
Accelerate overseas business development
Strengthen core businesses

Human resources strategy with global perspective

Financial strategy
Risk management
Governance / Internal control
Corporate social responsibility

QUANTITATIVE TARGETS

(Billions of Yen)

	FY 2007 (Results)	FY 2008 (Targets)	**FY 2008 (Results)**	FY 2009 (Initial Targets)	**FY 2009 (Revised Targets)**
Net income	177.1	210.0	**218.6**	210.0	240.0
Total assets	5,271.5	5,800.0	**5,255.4**	6,300.0	5,800.0
NET DER (times)	1.8	1.7	**1.7**	Less than 1.7	1.6
ROE	21.8%	21.3%	**23.3%**		22.2%

Development of International Personnel Is Key to Sustainable Growth

Our personnel have brought us through many trials and enabled us grow over a century and a half. No matter how impressive a history or tradition a company boasts, it will weaken without good personnel. Employees are crucial in harnessing history and tradition. Although we have been developing businesses worldwide for more than 50 years, the composition of our personnel has not kept up with this globalization. Mindful of that problem, we have taken steps to become company that can accommodate many different kinds of people, irrespective of gender or nationality, guided by a Promotion Plan for Human Resource Diversification, launched in December 2003. Nevertheless, there are still not enough non-Japanese employees or women in our management team. To rectify that, we made *enhancing human resources* one of the main planks of Frontier+ 2008. Reflecting that theme, we are strengthening the Group's overall human resources by dovetailing the personnel strategies of division companies, administration divisions, overseas offices, domestic branch offices, overseas trading companies, and Group companies. And, we made significant progress in laying the foundations for personnel development by establishing a Global Talent Enhancement Center (GTEC) at our bases in New York, London, Shanghai, and Singapore in October 2007.

Through such strategies, I envision a company ten years on in which, for example, half of the directors are non-Japanese or women. Because we cannot develop personnel overnight, I want to tackle this theme from a long-term viewpoint and with unwavering determination.

Progress in the Main Initiatives of Frontier+ 2008

In addition to my discussion of our *human resources strategy with a global perspective,* I would like summarize other major measures and our initiatives in the fiscal year.

Investing to Create a Balanced Business Portfolio

Compared with other trading companies, one of ITOCHU's most distinctive features is the balance of its business structure in terms of assets and earnings, which we achieve by having businesses across a broad range of fields, including Consumer-Related Sector; Natural Resource / Energy-Related Sector; and Other Sectors, comprising automobiles, information technology, financial, and chemicals. Building a balanced business portfolio is the common goal of our Frontier+ 2008 investment plans. Our medium-term management plan earmarks ¥500 billion for gross investment. During the period of Frontier+ 2008, our basic strategy is to share that investment in a well balanced way equally among three business areas.

Main Investments

Area	Investment Amount (gross)	Main Investment Projects
Consumer-Related Sector	Approximately ¥50 billion	Capital participation in television shopping company, acquisition of home meal replacement company stock, acquisition of U.S. flooring materials wholesaler
Natural Resource / Energy-Related Sector	Approximately ¥90 billion	Acquisition of oil and gas interests in Gulf of Mexico and Australia, investment in expansion of iron ore operations in Australia
Other Sectors	Approximately ¥110 billion	Acquisition of Orient Corporation's preferred stock, new investment and additional investment in solar power generation business

In the Consumer-Related Sector, the fiscal year saw us invest roughly ¥50 billion in such initiatives as a taking a stake in a television shopping company, acquiring stock in a home meal replacement company, and acquiring a U.S. flooring materials wholesaler. In the Natural Resource / Energy-Related Sector, we invested about ¥90 billion to acquire oil and gas equity interests in the Gulf of Mexico and Australia and expand iron ore operations in Australia. In the Other Sector, we invested approximately ¥110 billion to acquire Orient Corporation's preferred stock and newly invested in a solar power generation business. During the fiscal year, investment in the Natural Resource / Energy-Related Sector was slightly more than in the other business areas. However, we are steadily developing initiatives in the Consumer-Related Sector, where we enjoy overwhelming strength.

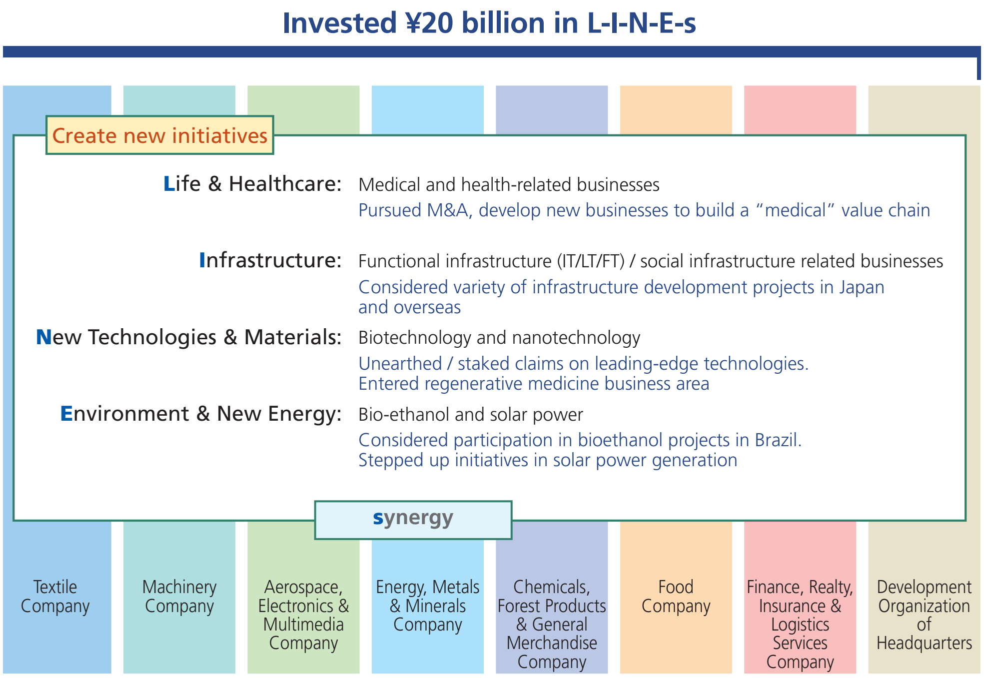
Developing New Business Areas Laterally

Under the theme of *creating new initiatives,* we are developing the foundations for future earnings by targeting L-I-N-E-s business areas. L-I-N-E-s is an acronym standing for Life & Healthcare; Infrastructure, including social infrastructure businesses and the strategic development of functional infrastructure; and New Technologies & Materials, including leading-edge technology fields such as biotechnology and nanotechnology; and Environment & New Energy.

In the Life & Healthcare business area, with a full-fledged aged society almost upon us, the market for medical and health-related products and services promises further significant growth. With that potential in mind, we worked very hard to build a value chain in the Life & Healthcare business area spearheading mergers and acquisitions and new business start-ups that straddle our organization laterally led by the Healthcare Business Department in Headquaters, newly estabilished in 2007. In fiscal 2008, we estabilished alliances with and made investment in healthcare companies, and started up PFI business.

In the Infrastructure business area, we aim to draw on information technology (IT), logistics technology (LT), and financial technology (FT) and use the original strategic tools we have developed as a general trading company to develop social and functional infrastructures and build value chains in

L-I-N-E-s—Future Earnings Mainstays



Japan and overseas. In fiscal 2008, social infrastructure initiatives included the construction of roads and railways as part of coal resource development in China and Asia as well as alliances with local governments in Japan for the development of public infrastructure. In functional infrastructure, we concluded a business alliance with a television shopping company.

The New Technologies & Materials business area includes markets with tremendous potential. With the development of applications underway in earnest, the biotechnology and nanotechnology markets could be huge in a few years. In the New Technologies & Materials business area, we steadily sowed seeds for the future by identifying and claiming leading-edge technologies and making forays into regenerative medicine.

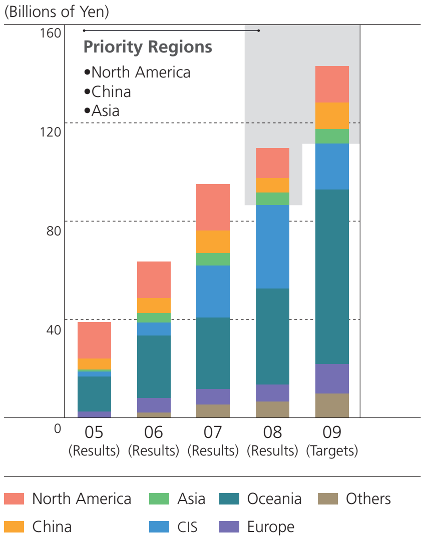
The Environment & New Energy business area offers a wide variety of business chances due to growing worldwide concern with environment. In the fiscal year, we decided our participation policy for bioethanol operations in Brazil and reinforced solar power generation businesses by strengthening collaboration among division companies.

Through lateral initiatives among division companies, we will rapidly develop markets. A representative example of such initiatives is our furtherment of the bioethanol project, in which the Food Company, the Energy, Metals & Minerals Company, and the Chemicals, Forest Products & General Merchandise Company are working as a team to pool and use expertise garnered in a wide spectrum of business areas and industries.

Increasing Earnings from Overseas Businesses Steadily

As I mentioned, building a structure that generates earnings worldwide is critical if we are to achieve sustainable growth. Aiming to consistently secure ¥100 billion or more in earnings from overseas businesses, we will channel about 70% of the ¥500 billion set aside for investment under the medium-term management plan into overseas initiatives. In particular, we are strengthening initiatives in priority regions, such as North America, China, and Asia; in resource-rich countries that include such oil-producing regions or countries as the Commonwealth of Independent States, the Middle East, and Brazil; and in regions or countries in which we have an advantage, such as Algeria. In the fiscal year, thanks to contributions from the higher earnings of the Commonwealth of Independent States, Oceania, and other regions, earnings from overseas businesses were up ¥14.9 billion year on year, to ¥111.2 billion, which represents approximately half of consolidated net income. We will accelerate overseas initiatives to build an earnings structure befitting a *truly global enterprise.*

Increase in Earnings from Overseas Businesses



Acquiring Higher Credit Ratings

While our Frontier+ 2008 medium-term management plan emphasizes a more *aggressive* approach to corporate management, it calls for ongoing measures for *solid management.* One such measure is the strengthening of our financial position. In the fiscal year, we met the plan's target of 1.7 times for the net debt-to-equity ratio by further growing stockholders' equity while strictly controlling interest-bearing debt. As a result of efforts since the late 1990s to strengthen our financial position, we received an "A" rating from U.S. credit-rating agency in the fiscal year ended March 31, 2008. To provide against contingencies, we intend to continue strengthening our financial position.

Advancing the ITOCHU DNA Project

The source of general trading companies' competitiveness is the power and ability of each of our organizations. We must constantly cement that strength to achieve sustainable growth. To that end, ITOCHU has been reengineering business processes under its *ITOCHU DNA Project—Designing New Age*—initiative since April 2006. That project focuses on identifying business processes and standardizing or consolidating them to heighten the efficiency, quality, and speed of operations. Having identified essential processes to focus, we will define specific reengineering tasks and carry them out.

Change Creates Business Chances

The deepening U.S. subprime loans problem is a major cause for concern for world economies. Because there is no knowing how that problem will reverberate through financial systems, I believe the situation needs careful ongoing monitoring. On the other hand, upheavals that make the future difficult to predict may also increase the earnings opportunities for general trading companies.

Looking back over our 150-year history, we have always found a way to create new businesses in turbulent times. Previously, trading companies faced a "winter" period. Despite the difficulties of that time, our trademark pioneering spirit came to the fore as we took up the search for new business formats. That quest produced the business model we use today. Under this model, we heighten added value by developing value chains based on the integrated development of businesses that include upstream materials and natural resources businesses through to downstream retailing businesses—rather than concentrating development on midstream trading businesses. In recent years, ITOCHU has posted favorable business results on the growth of emerging economies and hikes in natural resource prices. But, if we had only continued existing business models, we could not have achieved those favorable business results. Further, by developing various businesses across a wide range of regions, we are building an earnings structure that is very durable in changing conditions. For example, although the U.S. market for house-building materials is struggling due to the subprime loans problem, our machinery businesses are thriving on burgeoning demand centered in Asia.

Because ITOCHU has always anticipated change and created new business chances based on original ideas, today's changing conditions represent a major chance.

The Future Role of General Trading Companies

What role will ITOCHU and other general trading companies play going forward? Recently, some have pointed out that general trading companies have shifted from their traditional focus on trading and become more like investment banks or venture capital companies. However, I think that is a misrepresentation. The difference is that, rather than focusing on a single industry, general trading companies develop businesses across several related industries to create value chains that incorporate investments and businesses. That approach builds synergies and comprehensive capabilities that generate significant earnings. General trading companies have the advantage of being able to take the initiative in a wide variety of business areas. That advantage underpins the ability of general trading companies to benefit society by helping balance supply and demand in various industries on a worldwide scale.

Twenty or thirty years from now, securing various natural resources and energy will likely be more difficult. We will probably require even more stringent measures to deal with environmental problems. Only general trading companies can respond to such conditions on a global scale and develop businesses that benefit society.

Returning Profits to Our Stockholders

For the fiscal year, we raised dividends for the fourth straight year, paying full-year cash dividends of ¥18.00 per share, up ¥4.00 from the previous fiscal year.

The Company's basic policy for cash dividends is to return profit steadily and continuously in light of business results. Moreover, during the period of Frontier+ 2008 we are aiming to increase nonconsolidated stockholders' equity while gradually increasing cash dividends and improving our consolidated dividend payout ratio. In the fiscal year the consolidated dividend payout ratio improved from 12.5% in the previous fiscal year to 13.0%. Also, for the current fiscal year, ending March 2009, we plan full-year cash dividends of ¥21.00 per share, a ¥3.00 increase from the fiscal year.

I do not think that cash dividends or the consolidated dividend payout ratio have reached satisfactory levels for stockholders and investors yet. I believe that it is more important to build an even higher earnings structure in order to achieve sustainable growth and development. Also, I strongly believe trading companies are in a growth industry and that demand for funding to expand businesses will remain strong. Therefore, we will effectively use retained earnings to increase stockholders' equity to advance growth strategies and maintain and strengthen competitiveness. Regarding that policy, I ask our stockholders and other investors for their continued understanding.

With Passion, Energy, and Tenacity

So far, I have mainly talked about what we need to do to become a *truly global enterprise.* But there is another aspect of our businesses to which we need to rededicate ourselves. We must uphold our ITOCHU Credo—*Committed to the global good* and ensure that each employee reflects it in their business activities. Year by year, society expects more of companies, and its demands are increasingly exacting. We are moving into an era where companies that do not live up to society's expectations may not survive. ITOCHU has survived and prospered over a century and a half by handing down from generation to generation its founder Chubei Itoh's *sampo yoshi* management philosophy of benefiting the seller, the buyer, and society, which is the origin of the ITOCHU Credo, and unfailingly meeting society's expectations. Never forgetting that the social trust we have garnered during 150 years could vanish in a moment, we will uncompromisingly reflect society's expectations in all of our business activities.

We have taken our first confident stride on the path to becoming a *truly global enterprise.* On that long, steep path, we will anticipate change, tackle it, and make it our ally as we move forward with passion, energy, and tenacity.

In closing, I ask our shareholders and other investors for their continued support.

Division Companies

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

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

Division Companies at a Glance

ITOCHU Corporation and Subsidiaries
Years ended March 31

Division Companies	Net Income Fiscal 2008 (Before "Other, Adjustments & Eliminations")	Total Assets Fiscal 2008 (Before "Other, Adjustments & Eliminations")
Textile Company	9.6%	7.7%
Machinery Company	10.6%	14.6%
Aerospace, Electronics & Multimedia Company	6.9%	10.8%
Energy, Metals & Minerals Company	49.7%	19.3%
Chemicals, Forest Products & General Merchandise Company	9.3%	16.2%
Food Company	8.8%	22.5%
Finance, Realty, Insurance & Logistics Services Company	5.1%	8.9%

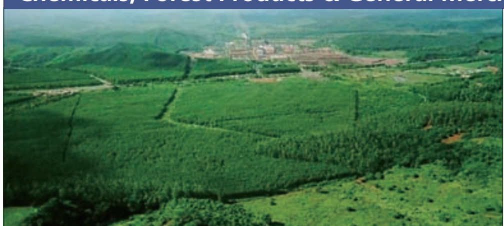
Textile Company

Machinery Company

Aerospace, Electronics & Multimedia Company

Energy, Metals & Minerals Company

Chemicals, Forest Products & General Merchandise Company



Food Company

Finance, Realty, Insurance & Logistics Services Company

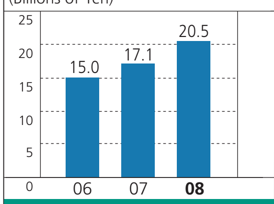
Major Group Companies	Major Products and Services
■ Prominent Apparel Ltd. ■ ITOCHU TEXTILE (CHINA) CO., LTD. ■ JOI'X CORPORATION	• Textile materials • Fabrics • Apparel products • Fashion goods and accessories • Industrial textiles • Branded products based on total lifestyle-theme including apparel,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

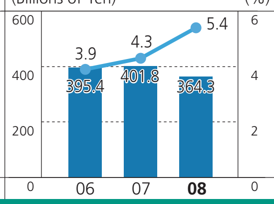
Net Income (Loss) | Total Assetts / ROA | Financial Highlights

Total Assets (left) ROA (right)

(Billions of Yen)

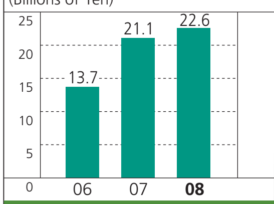
Textile Company

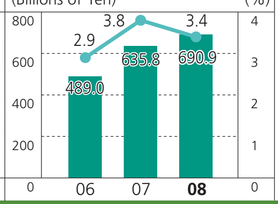




Years ended March 31	2004	2005	2006	2007	2008
Gross trading profit	¥100.3	¥112.8	¥122.9	¥124.6	**¥115.2**
Net income	11.7	14.8	15.0	17.1	**20.5**
Identifiable assets at March 31	382.7	377.2	395.4	401.8	**364.3**
ROA (%)	3.1	3.9	3.9	4.3	**5.4**

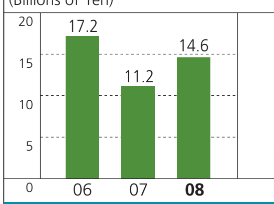
Machinery Company

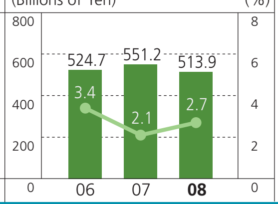




Years ended March 31	2004	2005	2006	2007	2008
Gross trading profit	¥ 51.1	¥ 58.0	¥ 69.5	¥ 90.5	**¥100.5**
Net income	3.9	10.5	13.7	21.1	**22.6**
Identifiable assets at March 31	433.6	451.4	489.0	635.8	**690.9**
ROA (%)	0.8	2.4	2.9	3.8	**3.4**

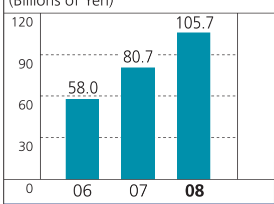
Aerospace, Electronics & Multimedia Company

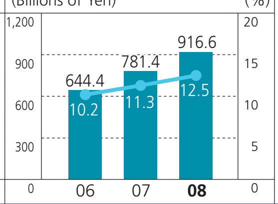




Years ended March 31	2004	2005	2006	2007	2008
Gross trading profit	¥105.5	¥108.4	¥116.4	¥133.5	**¥139.0**
Net income	2.6	14.4	17.2	11.2	**14.6**
Identifiable assets at March 31	464.3	489.4	524.7	551.2	**513.9**
ROA (%)	0.5	3.0	3.4	2.1	**2.7**

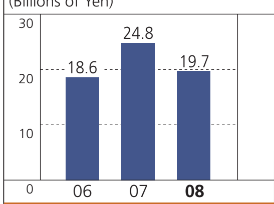
Energy, Metals & Minerals Company

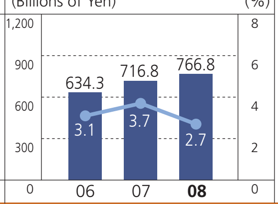




Years ended March 31	2004	2005	2006	2007	2008
Gross trading profit	¥ 24.7	¥ 39.1	¥ 73.9	¥102.1	**¥127.5**
(Metals & Minerals)	14.4	25.8	48.2	46.5	**50.0**
(Energy)	10.3	13.3	25.6	55.6	**77.5**
Net income	12.9	25.7	58.0	80.7	**105.7**
Identifiable assets at March 31	443.7	491.0	644.4	781.4	**916.6**
ROA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

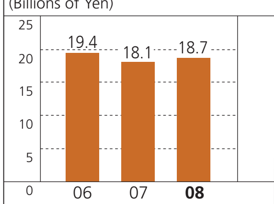
Chemicals, Forest Products & General Merchandise Company

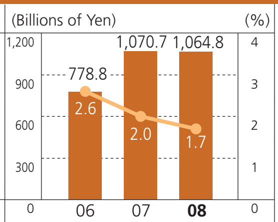




Years ended March 31	2004	2005	2006	2007	2008
Gross trading profit	¥ 91.9	¥105.9	¥111.1	¥126.2	**¥122.6**
(Forest Products & General Merchandise)	59.7	70.4	72.7	79.4	**74.3**
(Chemicals)	32.3	35.5	38.4	46.8	**48.3**
Net income	11.5	20.3	18.6	24.8	**19.7**
Identifiable assets at March 31	557.4	583.7	634.3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

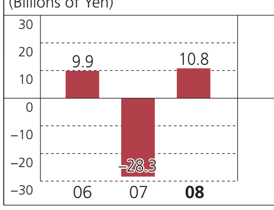
Food Company

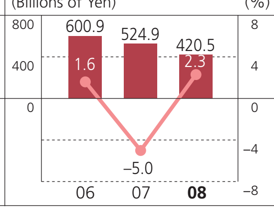




Years ended March 31	2004	2005	2006	2007	2008
Gross trading profit	¥130.9	¥136.2	¥142.6	¥ 264.6	**¥ 324.7**
Net income (loss)	13.3	(9.3)	19.4	18.1	**18.7**
Identifiable assets at March 31	711.6	728.0	778.8	1,070.7	**1,064.8**
ROA (%)	1.9	(1.3)	2.6	2.0	**1.7**

Finance, Realty, Insurance & Logistics Services Company





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

Net Income (Loss) from Major Group Companies

(Billions of Yen)

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

Frontier+ 2008 Strategies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

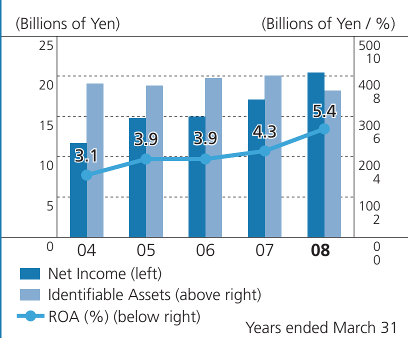
- Support Orico's new medium-term plan in cooperation with Mizuho Financial Group • Establish a solid position in fund and securitization businesses, particularly in areas of private equity and real estate securitization • Draw on Division Companies' strengths to develop overseas operations
- Increase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

Textile Company

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

Masahiro Okafuji
President, Textile Company

Net Income / Identifiable Assets / ROA



Business Overview and Competitive Advantages

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

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

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

Fiscal 2008 Business Conditions and Business Results

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

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

Fiscal 2008 Initiatives

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

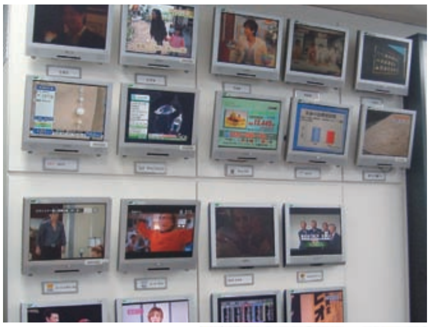
Among efforts to develop new business areas, we extended our business into areas even closer to consumers. For example, we entered the growing television shopping business by investing in and forming an operational tie-up with PRIME NETWORK INC. As part of initiatives to expand advanced technology businesses,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

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

Fiscal 2009 Initiatives

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

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



プライムショッピング

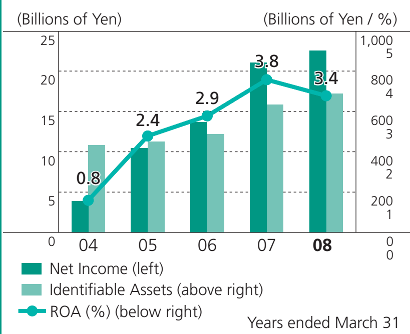
Prime Shopping
We entered into a new partnership with the television shopping company PRIME NETWORK INC. ITOCHU will fully realize the merits of the new alliance by drawing on its strength in brand lineups to develop lifestyle solutions businesses and utilizing the new powerful sales channel.

Machinery Company

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

Takanobu Furuta
President, Machinery Company

Net Income / Identifiable Assets / ROA



Business Overview and Competitive Advantages

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

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

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

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

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

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

Fiscal 2008 Business Conditions and Business Results

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

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

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

Fiscal 2008 Initiatives

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

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

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

Fiscal 2009 Initiatives

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

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

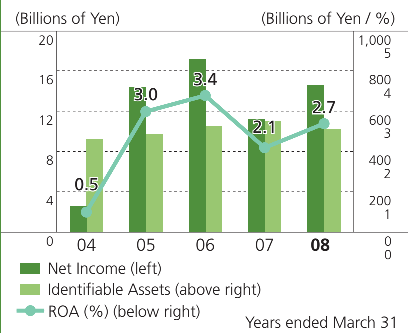
Commonwealth Chesapeake Power Station (the United States) (Plant & Project Division)
In the fiscal year ended March 2008, one of ITOCHU's North American affiliates, the independent power producer Tyr Energy, Inc., acquired the Commonwealth Chesapeake Power Station in the State of Virginia in the United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

Aerospace, Electronics & Multimedia Company

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

Hiroo Inoue
President, Aerospace, Electronics & Multimedia Company

Net Income / Identifiable Assets / ROA



Business Overview and Competitive Advantages

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

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

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

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

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

Fiscal 2008 Business Conditions and Business Results

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

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

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

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

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

Fiscal 2008 Initiatives

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

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

Fiscal 2009 Initiatives

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

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

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

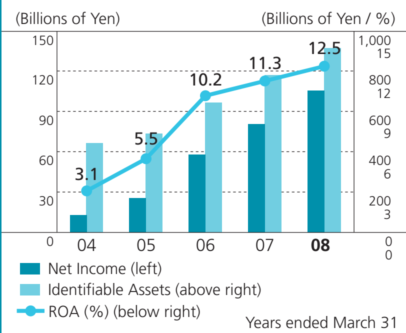
JAMCO Corporation
(Aerospace & Electronic Systems Division)
(photograph: suite-class console for the new Airbus A380 aircraft of Singapore Airlines)
Aiming to strengthen our businesses in the civil aviation area, we acquired shares of JAMCO Corporation from Japan Airlines International Co., Ltd., in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

Energy, Metals & Minerals Company

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

Yoichi Kobayashi
President, Energy, Metals & Minerals Company

Net Income / Identifiable Assets / ROA



Business Overview and Competitive Advantages

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

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

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

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

Fiscal 2008 Business Conditions and Business Results

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

Fiscal 2008 Initiatives

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

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

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

Fiscal 2009 Initiatives

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

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

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

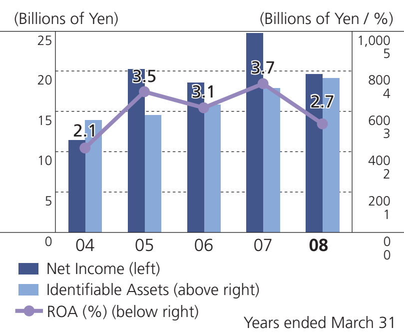
Division Companies

Chemicals, Forest Products & General Merchandise Company

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

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

Net Income / Identifiable Assets / ROA



Years ended March 31

Business Overview and Competitive Advantages

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

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

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

Fiscal 2008 Business Conditions and Business Results

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

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

Fiscal 2008 Initiatives

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

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

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

Fiscal 2009 Initiatives

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

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

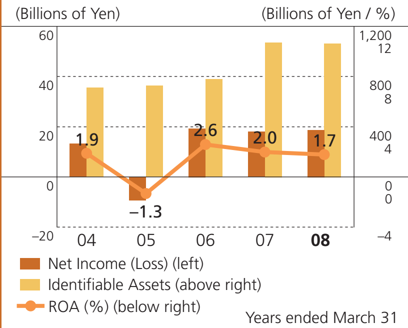
Brunei Darussalam Methanol Project (Chemicals Division)
We concluded a contract for the supply of natural gas in April 2007 and broke ground for the plant construction at the beginning of 2008. Preparations toward the start-up of commercial operations, with an annual production of 850,000 tons, in the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

Food Company

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

Shigeharu Tanaka
President, Food Company

Net Income (Loss) / Identifiable Assets / ROA



Business Overview and Competitive Advantages

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

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

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

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

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

Fiscal 2008 Business Conditions and Business Results

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

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

Fiscal 2008 Initiatives

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

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

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

Fiscal 2009 Initiatives

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

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

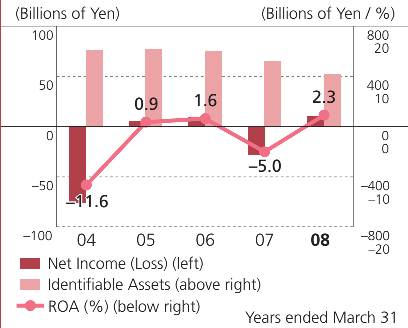
CGB ENTERPRISES, INC. (Provisions Division)
Our associated company CGB ENTERPRISES, INC., achieves stable grain collection and supply through 60 grain elevators scattered across the American Midwest and barge operations. The company builds strong relationships of trust with farmers by providing peripheral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

Finance, Realty, Insurance & Logistics Services Company

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

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

Net Income (Loss) / Identifiable Assets / ROA



Business Overview and Competitive Advantages

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

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

Fiscal 2008 Business Conditions and Business Results

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

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

Fiscal 2008 Initiatives

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

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

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

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

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

Fiscal 2009 Initiatives

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

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

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

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

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

Headquarters

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

Division Companies Operations

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

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

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

Healthcare Business Department

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

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

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

Helping Increase Survival Rates by Spreading AED

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

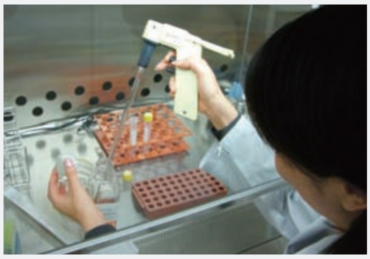
AED installed on first floor of Tokyo Headquarters

Innovative Technology Business Development Office

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

Entering the Regenerative Medicine Business Area

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


Cell experiment at ReproCELL's Shirokane Laboratory

Corporate Development Office

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

Local Government Collaboration

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


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

Corporate Planning

Chief Corporate Planning Officer **Satoshi Kikuchi**

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

Preparing and Advancing Company-wide Management Plans

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

Supporting the Advancement of Strategies

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

Administration

Chief Administration Officer **Kouhei Watanabe**

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

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

Strengthening Financial Strategies and Risk Management

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

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

Bolstering Internal Control, Corporate Social Responsibility, and Compliance

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

Pursuing Global Human Resource Strategies

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

Overseas Operations

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

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

Strengthening Support Systems for Overseas Business Development

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

Significant Measures in Priority Regions

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

Supporting Global Human Resources Strategies

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

A Good Corporate Citizen

Since its foundation one and half centuries ago, ITOCHU has upheld the spirit of its *sampo yoshi* philosophy—the idea that transaction must be good ("*yoshi*") for all three parties ("*sampo*"), that is, the seller, the buyer, and the society. The philosophy is at the heart of all of our operational initiatives, including corporate governance, social contributions, preservation of the environment. By remaining true to that spirit and meeting society's expectations consistently, we are developing as *a global enterprise that is highly attractive to all stakeholders.*

Corporate Governance

ITOCHU operates its business in accordance with the ITOCHU Credo. Our fundamental policy is to work toward the long-term preservation and enhancement of our corporate value by building positive and effective relationships with our stakeholders. To execute our business activities in a fair and efficient manner in accordance with our fundamental policy, we are increasing the transparency of our decision-making process and constructing a corporate governance system that incorporates appropriate monitoring and supervisory functions. Furthermore, we will operate our business on a basis of trust with our stockholders by ensuring adequate and timely disclosure of information and by maintaining accountability to our stockholders.

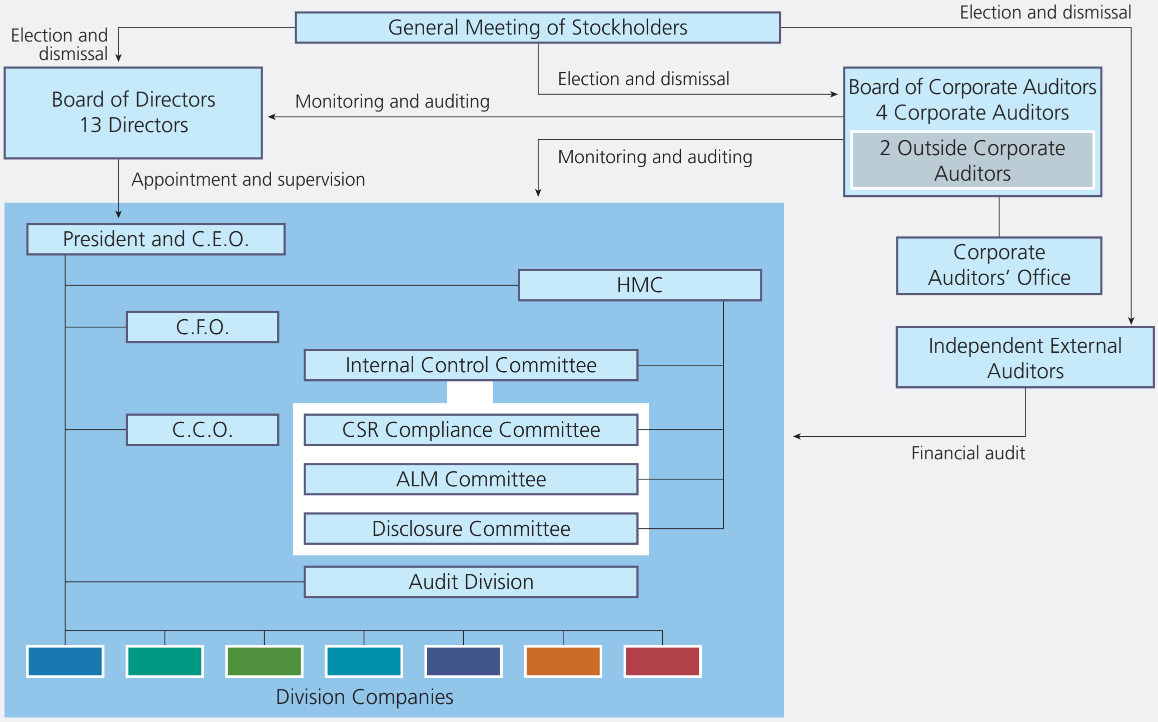
ITOCHU's Corporate Governance System

ITOCHU's corporate governance system is made up of the General Meeting of Stockholders, which is the highest decision-making body; the Board of Directors, which makes important decisions at the next level; and the Board of Corporate Auditors, which oversees the operational execution of directors.

The Headquarters Management Committee (HMC) is a supporting body of the president and is where company-wide management policy and important issues are discussed and decided. In the fiscal year ended 2008, the HMC was held 49 times. Management issues are also examined and discussed by various internal committees that support the decision making of the president and the Board of Directors.

With the aim of increasing decision-making speed and management efficiency, ITOCHU introduced the Division Company System in the fiscal year ended March 1998. Based on overall controll by Headquaters, each Division Company is responsible for the management of its field of operations, and each Division Company's president receives decision-making assistance from the Division Company Management Committee (DMC). Further, in order to strengthen the decision-making and oversight functions of the Board of Directors, the Company adopted an Executive Officer System from the fiscal year ended March 1999. Based on the approval of the Board of Directors, executive officers implement their designated duties based on delegation from the Board of Directors and representative directors. The terms of office of directors and executive officers were reduced to one year from the fiscal year ended March 2007.

ITOCHU's Current Corporate Governance System



Notes: 1 Each Division Company has a Division Company President and a Division Company Chief Financial Officer.
2 Internal control systems and mechanisms have been implemented at every level of ITOCHU. Only the main internal control organization and committees are described herein.
Further, the Internal Control Committee receives reports from internal departments related to internal control, the Compliance Committee, the ALM Committee, and the Disclosure Committee on the development and operation of respective internal controls for which they are responsible; evaluates and confirms the overall development status of internal control; and reports items for improvement to the HMC and Board of Directors.

Principal Internal Committees

Name	Objectives
Internal Control Committee	• Evaluates and confirms the status of implementation and operation of internal control systems based on the Basic Policy regarding the Internal Control System and proposes further improvements to the HMC and directors
ALM*1 Committee	• Performs comprehensive balance sheet and risk management analysis and makes recommendations on monitoring systems and improvement measures for management
Strategic Investment Committee	• Deliberates and makes recommendations on strategic investment as planned in the management plan
Company-wide Business Committee	• Maximizes the collective and comprehensive strengths in company-wide business and supports and promotes the realization of synergies between the Division Companies
Corporate Officer Compensation Consultative Committee	• Deliberates and makes recommendations on the implementation and operation of the corporate officers' compensation system
CIO*2 Committee	• Deliberates, promotes, and makes recommendations on policies for the introduction and implementation of information technology to the ITOCHU Group
Disclosure Committee	• Deliberates and makes recommendations on internal control policies and measures concerning information disclosure (including disclosure of financial statements)
CSR Committee	• Deliberates, promotes, and makes recommendations on policies and measures concerning CSR • Implements policies and programs for the full understanding of, and compliance with, the Company's management principles and corporate code of conduct
Compliance Committee	• Deliberates and decides regarding basic compliance policy, monitors and authorizes of overall compliance control
DNA*3 Project Committee	• Deliberates and makes recommendations on policies and measures for promoting business process re-engineering throughout the entire ITOCHU Group

*1 ALM = Asset Liability Management *2 CIO = Chief Information Officer *3 DNA = Designing New Age

Role of Board of Corporate Auditors

The role of objective management oversight is undertaken by Corporate Auditors, including outside corporate auditors, who regularly attend meetings of the Board of Directors and other important internal meetings. Corporate Auditors are strengthening cooperation with the Company's independent auditors and the Audit Division in order to enhance the audit function. They also discuss internal audit planning with the Audit Division and hold regular meetings among themselves. In addition, the Corporate Auditors' Office, reporting directly to the Board of Corporate Auditors, supports Corporate Auditors in the performance of their duties. Though ITOCHU does not appoint outside directors, Corporate Auditors fully carry out the oversight function within the Company.

Internal Control

The Company develops and operates effective internal control systems based on a Disclosure Committee, a DNA Project Committee, a ALM Committee, and a Compliance Committee, which are respectively responsible for the objectives of internal control: 1) reliable financial reports, 2) effective and efficient operations, 3) protection of assets, and 4) compliance with laws and statutory regulations. The Internal Control Committee, which controls overall internal control and deliberates company-wide internal control issues and improvement measures.

On April 19, 2006, the Company's Board of Directors established the Basic Policy regarding the Internal Control System (summary on page 54), and made a commitment to continuously improve internal control systems by tirelessly revising them. Since the fiscal year ended March 2007, the Company has been pursuing the ITOCHU DNA Project—Designing New Age—which is an operational improvement project to heighten the effectiveness and efficiency of management. In the fiscal year ended March 2008, we established the Internal Control Committee, which has increased the reliability of consolidated financial reports by targeting main ITOCHU Group companies in Japan and overseas in efforts to strengthen internal control and built internal control environments in the areas of organizations and systems, information systems, and operational processes. Further, in April 2008, the Company established an Internal Control Audit Section, and is building a system that objectively evaluates and audits whether the Company is appropriately developing and operating internal control systems.

Establishment of Advisory Board

As a means of further raising the quality of its corporate governance, ITOCHU established the Advisory Board, which comprises experts from outside the Company, with the aim of receiving objective, specialized third-party opinions.

Basic Policy regarding the Internal Control System (Outline)

The Company has established the following internal control systems, which are necessary to ensure that executive officers' implementation of duties are in compliance with laws and statutory regulations and articles of incorporation and ensure the appropriateness of other operations. Below is a summary of the Basic Policy regarding the Internal Control System, which the Board of Directors approved on April 19, 2006. (Partially revised on April 30, 2008)

Notes

1. System to Ensure Compliance by Directors and Employees to Laws, Regulations and the Articles of Incorporation

(1) Corporate Governance

1) As the decision-making body, the Board of Directors is to decide important matters in accordance with laws and regulations, the Articles of Incorporation, the "Board of Directors Regulations,"and other internal regulations, and as the supervisory body, the Board of Directors is to supervise the performance of the directors.

2) Each director is to carry out such director's functions and duties as designated by the Board of Directors in accordance with laws and regulations, the Articles of Incorporation, resolutions by the Board of Directors, and internal regulations.

3) ITOCHU is to adopt the Executive Officer System to strengthen the decision-making function and supervisory function of the Board of Directors, and to streamline executive decision-making. Based on the approval of the Board of Directors, executive officers implement their designated duties based on delegation from the Board of Directors and representative directors.

4) The corporate auditors are to oversee the performance of the directors based on the "Board of Corporate Auditors Regulations" and "Auditors' Auditing Standards."

(2) Compliance

1) Directors and employees are to conduct themselves in accordance with the ITOCHU Credo and the ITOCHU Code of Conduct.

2) ITOCHU is to establish a department that oversees all compliance matters, including all matters relating to the Chief Compliance Officer and the Compliance Committee. In addition, the "ITOCHU Group Compliance Program" is to be created to further enhance our compliance system.

(3) Internal Control to Ensure Reliability of Financial Reporting

1) ITOCHU is to have in place internal regulations concerning commercial transactions management and accounting, and is to create the position of Chief Financial Officer to ensure the reliability of financial reporting.

2) ITOCHU is to establish the Disclosure Committee and regularly review and improve the internal control systems to ensure the reliability of financial reporting.

(4) Internal Audits

ITOCHU is to establish the Audit Division under the direct control of the President. The Audit Division is to regularly implement internal audits of all aspects of business operations based on the "Audit Regulations." Such internal audits are to examine compliance with laws and regulations, the Articles of Incorporation, and internal regulations, as well as, among other matters, the appropriateness of the procedures and nature of the exercise of duties and responsibilities.

2. System for the Storage and Preservation of Information Related to Director Duties

The directors are to appropriately store and preserve important documents and related materials concerning the performance of their duties, including the minutes of the General Meeting of Stockholders, in accordance with the "Information Management Regulations," the "Document Management Rules" and other internal regulations. All documents and information so stored and preserved are to be subject to inspection by the directors and auditors at any time. Further, the Company will establish departments responsible for the timely disclosure of important corporate information and other information. At the same time, directors will rapidly and comprehensively gather information that requires disclosure and implement timely and appropriate disclosure in compliance with laws and statutory regulations.

3. Regulations Concerning the Management of the Risk of Loss and Other Relevant Risk Management System

To adequately address the various risks associated with our business operations, such as market risk, credit risk, country risk, and investment risk, ITOCHU is to establish internal committees and responsible departments, and is to develop the necessary risk management system and risk management techniques, for example establishing a full range of management regulations, investment criteria, risk limits and transaction limits, and developing reporting and monitoring systems, and managing company-wide as well as matter-specific risks. Furthermore, ITOCHU is to regularly review the effectiveness of the risk management system.

4. System to Ensure Efficient Performance of Directors

(1) The HMC and Other Internal Committees

The HMC (Headquarters Management Committee) as a supporting body to the president, and a number of other internal committees, are to facilitate the proper and agile decision-making by the president and the Board of Directors.

(2) Division Company System

Under the Division Company System, the position of Company president is to be created at each Company, and each Company is to manage its business autonomously in accordance with laws and regulations, the Articles of Incorporation, and internal regulations. Furthermore, each Company is to establish its own numerical targets, and regularly evaluate its performance by comparing against such numerical targets.

(3) Clearly Define the Scope of Authority and Responsibilities

In order to ensure the appropriateness and efficiency of the performance of the management, ITOCHU is to develop internal regulations to clearly define the scope of authority and responsibilities of each corporate officer and divisional manager.

5. System to Ensure the Adequacy of Operations of the ITOCHU Group (Consisting of ITOCHU Corporation and Its Subsidiaries)

(1) Subsidiary Management System

ITOCHU is to establish a department that oversees all the subsidiaries. Furthermore, relevant departments within ITOCHU Corporation are to exercise jurisdiction over their responsible subsidiaries, and provide managerial guidance to such subsidiaries in accordance with the internal regulations concerning consolidated company management. In principle, ITOCHU Corporation is to send directors and auditors to each subsidiary to ensure the adequacy of the subsidiary's operations.

(2) Compliance

ITOCHU Corporation is to provide guidance to its subsidiaries for the purpose of implementing a compliance system at each subsidiary in accordance with the "ITOCHU Group Compliance Program," and is to implement full compliance in the entire ITOCHU Group through education and training.

(3) Internal Audits

All of the operations and activities of the subsidiaries are to be subject to internal audits by the Audit Division.

6. Matters Concerning Supporting Personnel to Auditors and Independence of Such Personnel from the Directors

ITOCHU is to establish the Corporate Auditors' Office under the direct jurisdiction of the Board of Corporate Auditors and is to put in place full-time employees with the sole responsibility of supporting the work of the corporate auditors. The supervisory authority over such employees is to belong exclusively to the corporate auditors, and evaluation of such employees is to be carried out by the corporate auditor designated by the Board of Corporate Auditors. Any transfer orders or disciplinary actions relating to such employees are to require prior approval by such corporate auditor.

7. System for Reporting by Directors and Employees to Corporate Auditors

(1) Attendance at Important Meetings

The corporate auditors are to attend meetings of the Board of Directors, the HMC meetings, and other important meetings, and interview the directors and other relevant persons regarding the performance of their duties. In addition, the corporate auditors are to have the right to inspect all relevant materials.

(2) Reporting System

1) The directors and corporate officers are to regularly report to the corporate auditors about their performance. Furthermore, in addition to the matters required by laws and regulations, the directors are to report all the decisions that could have a major impact on the finance or business of ITOCHU to the corporate auditors immediately after such decisions are made.

2) Employees are to have the right to report directly to the corporate auditors any matters that could cause serious damage to ITOCHU.

8. Other Relevant Systems to Ensure the Proper Functioning of Audits

(1) Coordination with the Auditors in the Audit Division

The Audit Division is to maintain close communication and coordination with the corporate auditors with respect to matters such as formulation of the internal audit plan for each business year, and internal audit results.

(2) Retaining External Experts

When deemed necessary, the corporate auditors are to independently retain external experts for the implementation of an audit.

The Company will improve internal control systems by tirelessly revising them and build systems that are even more appropriate and efficient. Further, a meeting of the Company's Board of Directors convened on April 30, 2008, evaluated the status of the establishment of internal control systems for the fiscal year ended March 2008 and confirmed that there were no significant defects or deficiencies.

Corporate Officers

As of July 1, 2008

EIZO KOBAYASHI

President and Chief Executive Officer

1972 Joined ITOCHU Corporation
2004 President and Chief Executive Officer

UICHIRO NIWA

Chairman

1962 Joined ITOCHU Corporation
2004 Chairman

AKIRA YOKOTA

Executive Vice President

Chief Operating Officer,
Division Companies Operations

1967 Joined ITOCHU Corporation
2003 Executive Vice President

KOUHEI WATANABE

Executive Vice President

Chief Administration Officer;
Chief Financial Officer;
Chief Compliance Officer

1971 Joined ITOCHU Corporation
2006 Executive Vice President

TOSHIHITO TAMBA

Executive Vice President

Chief Operating Officer,
Overseas Operations

1972 Joined ITOCHU Corporation
2008 Executive Vice President

MASAHIRO OKAFUJI

Senior Managing Director

President, Textile Company

1974 Joined ITOCHU Corporation
2006 Senior Managing Director

YOICHI KOBAYASHI

Senior Managing Director

President, Energy, Metals &
Minerals Company

1973 Joined ITOCHU Corporation
2008 Senior Managing Director

SHIGEHARU TANAKA

Managing Director

President, Food Company

1974 Joined ITOCHU Corporation
2006 Managing Director

TAKANOBU FURUTA

Managing Director

President, Machinery Company

1973 Joined ITOCHU Corporation
2006 Managing Director

HIROO INOUE

Managing Director

President, Aerospace, Electronics &
Multimedia Company

1975 Joined ITOCHU Corporation
2008 Managing Director

KENJI OKADA

Managing Director

President, Finance, Realty, Insurance
& Logistics Services Company

1974 Joined ITOCHU Corporation
2008 Managing Director

KOJI TAKAYANAGI

Managing Director

President, Chemicals,
Forest Products & General
Merchandise Company

1975 Joined ITOCHU Corporation
2008 Managing Director

SATOSHI KIKUCHI

Managing Director

Chief Corporate Planning Officer;
Chief Information Officer;

1976 Joined ITOCHU Corporation
2008 Managing Director

MASAHITO TOMINAGA

Corporate Auditor

1971 Joined ITOCHU Corporation
2005 Executive Officer
2007 Standing Corporate Auditor

SHOZO YONEYA

Corporate Auditor

1974 Joined ITOCHU Corporation
2005 Executive Officer
2008 Standing Corporate Auditor

HARUO SAKAGUCHI

Corporate Auditor

1989–1990
Vice Chairman, Japan Federation of Bar Association; Chairman, Osaka Bar Association
2001–2006
Chairman, Osaka Public Bid Monitoring Committee
2003 Corporate Auditor, ITOCHU Corporation

TADASHI KUDO

Corporate Auditor

2002–2003
President & Chief Executive Officer, Mizuho Bank, Ltd.
2004 Advisor, Mizuho Bank, Ltd.
2005 Corporate Auditor, ITOCHU Corporation

Approach to Auditing

Haruo Sakaguchi, Corporate Auditor

Implementation of Duties

For many years, I have been a lawyer specializing in business. When auditing compliance and other areas, rather than always adopting a formal approach I draw on the experience and specialist knowledge accumulated during my career to try to gain an accurate understanding of the actual situation. I agree with those who believe the true role of an auditor is to check corporate management by addressing the CEO directly. In particular, because I am an external corporate auditor, I am prepared to make direct proposals to senior management about concerns employees may find it difficult to voice. Further, I participate in important meetings, such as meetings of the Board of Directors and the Headquarters Management Committee and state opinions to the standing corporate auditors when the opportunity arises.

Evaluation of Internal Control Systems and Auditing Reflecting Distinctive Characteristics

In my evaluation, ITOCHU has established effective compliance and internal control systems, which it operates in a sufficiently sound manner.

In light of ITOCHU's distinctive division company system, which comprises seven highly autonomous division companies covering a wide business area, I concentrate efforts on ascertaining whether each division company is disclosing information sufficiently and whether their conclusions are the results of sufficient debate. On that basis, I make statements aimed at encouraging each division company to strengthen lateral collaboration and increasing the corporate value of the Group as a whole. Further, because a distinctive feature of ITOCHU is that resource price hikes have buoyed business results in recent years, I also concentrate efforts on ascertaining the adequacy of systems and strategies to mitigate resource price f uctuation risk.

Requirements for Sustainable Growth

This year, ITOCHU celebrated the 150th anniversary of its founding. Amid rapid globalization and dramatic changes in international conditions relating to resources, I believe the key to sustainable growth will be how effectively ITOCHU can use its functions as trading company and tackle changing business conditions. To that end, ITOCHU must tirelessly consider and clarify where its advantages lie. Further, in my view, for future growth and development ITOCHU must rigorously examine itself for warning signs of the problems that tend to assail large corporations and make sure that it is taking a rigorously hands-on, or back-to-basics, approach to business.

Managing Executive Officers

TORU OTA
General Manager for Nagoya Area
1970 Joined ITOCHU Corporation
2005 Managing Executive Officer

YOSHIO AKAMATSU
Chief Executive for Asia;
President & C.E.O., ITOCHU Singapore Pte Ltd.
1974 Joined ITOCHU Corporation
2005 Managing Executive Officer

NOBUO KUWAYAMA
General Manager for China;
Chairman, ITOCHU (China) Holding Co., Ltd.;
Chairman, ITOCHU Shanghai Ltd.
Chairman, ITOCHU HONG KONG Ltd.
1971 Joined ITOCHU Corporation
2006 Managing Executive Officer

YOSHIHISA AOKI
Executive Vice President, Food Company;
Chief Operating Officer, Food Products Marketing & Distribution Division
1974 Joined ITOCHU Corporation
2006 Managing Executive Officer

YOSHIHISA SUZUKI
President & C.E.O., ITOCHU International Inc.;
President, ITOCHU Canada Ltd.
1979 Joined ITOCHU Corporation
2006 Managing Executive Officer

TADAYUKI SEKI
Deputy Chief Administration Officer;
Deputy Chief Financial Officer;
General Manager, Finance Division
1973 Joined ITOCHU Corporation
2007 Managing Executive Officer

KAZUTOSHI MAEDA
Deputy Chief Administration Officer;
General Manager, Human Resources Division
1974 Joined ITOCHU Corporation
2007 Managing Executive Officer

TAKEYOSHI IDE
General Manager for European Operation;
C.E.O., ITOCHU Europe PLC.;
C.E.O., ITOCHU Deutschland GmbH
1975 Joined ITOCHU Corporation
2007 Managing Executive Officer

TATSUO FUJINO
Deputy Chief Corporate Planning Officer;
Chief Officer for Kansai Operations
2006 Joined ITOCHU Corporation
2007 Managing Executive Officer

KAZUHIDE SASA
Executive Vice President, Textile Company;
Chief Operating Officer, Brand Marketing Division 2
1974 Joined ITOCHU Corporation
2008 Managing Executive Officer

TORU NOMURA
Executive Vice President, Machinery Company;
Chief Operating Officer, Plant & Project Division
1976 Joined ITOCHU Corporation
2008 Managing Executive Officer

YOSHIO MATSUKAWA
Executive Vice President, Energy, Metals & Minerals Company;
Chief Operating Officer, Energy Development Division
1974 Joined ITOCHU Corporation
2008 Managing Executive Officer

Executive Officers

TAKESHI KUMEKAWA
Deputy Chief Executive for European Operation;
Deputy CEO of ITOCHU Europe PLC
1974 Joined ITOCHU Corporation
2006 Executive Officer

KUNIHIKO TAMANO
General Manager, Business Accounting & Control Division
1974 Joined ITOCHU Corporation
2006 Executive Officer

YOSHIHARU MATSUMOTO
General Manager, Corporate Communications Division
1975 Joined ITOCHU Corporation
2006 Executive Officer

SHINTARO ISHIMARU
General Manager, IT Planning Division
2006 Joined ITOCHU Corporation
2006 Executive Officer

TORU MATSUSHIMA
Chief Operating Officer, Automobile Division
1979 Joined ITOCHU Corporation
2006 Executive Officer

YUJI FUKUDA
Executive Vice President, Chemicals, Forest Products & General Merchandise Company;
Chief Operating Officer, Chemicals Division
1979 Joined ITOCHU Corporation
2006 Executive Officer

MITSUGU KUNO
Executive Vice President, ITOCHU International Inc.;
General Manager, Food Division, ITOCHU International Inc.
1975 Joined ITOCHU Corporation
2007 Executive Officer

KIMIO KITAMURA
General Manager, General Accounting Control Division
1975 Joined ITOCHU Corporation
2007 Executive Officer

KAZUAKI TAKADA
Chief Operating Officer, Media Business Division
1976 Joined ITOCHU Corporation
2007 Executive Officer

SHUICHI KOSEKI
Chief Operating Officer, Textile Material & Fabric Division
1979 Joined ITOCHU Corporation
2007 Executive Officer

ICHIRO NAKAMURA
Chief Operating Officer, Metals, Mineral Resources & Coal Division
1979 Joined ITOCHU Corporation
2007 Executive Officer

TOMOFUMI YOSHIDA
Chief Operating Officer, Forest Products & General Merchandise Division
1979 Joined ITOCHU Corporation
2007 Executive Officer

SHIGEMITSU TAKATORI
Chief Operating Officer, IT & Business Solutions Division
1980 Joined ITOCHU Corporation
2007 Executive Officer

KAZUHIKO MATSUMI
General Manager, Legal Division
1975 Joined ITOCHU Corporation
2008 Executive Officer

YUTAKA KATO
Chief Operating Officer, Industrial Machinery & Solution Division
1979 Joined ITOCHU Corporation
2008 Executive Officer

HIROO SATO
Chief Operating Officer, Provisions Division
1979 Joined ITOCHU Corporation
2008 Executive Officer

JUNICHI SASAKI
Deputy General Manager for Eastern China;
Managing Director, ITOCHU Shanghai Ltd.;
Group Director, China Business Development Group
1979 Joined ITOCHU Corporation
2008 Executive Officer

MASATAKA YUKIYA
Chief Operating Officer, Financial and Insurance Services Division
1979 Joined ITOCHU Corporation
2008 Executive Officer

HITOSHI OKAMOTO
Chief Operating Officer, Apparel Division
1980 Joined ITOCHU Corporation
2008 Executive Officer

MASAHIRO IMAI
General Manager, International Operations Division
1980 Joined ITOCHU Corporation
2008 Executive Officer

NOBUYUKI KASAGAWA
Chief Operating Officer, Aerospace & Electronic Systems Division
1981 Joined ITOCHU Corporation

Corporate Social Responsibility

ITOCHU's corporate social responsibility (CSR) involves considering the role we should play through our corporate activities toward the achievement of a sustainable society and acting accordingly. That approach to CSR is true to the spirit of *sampo yoshi,* upon which Chubei Itoh founded his business and which each of our employees has inherited. ITOCHU has grown and developed over 150 years because, since the era of its founder, we have put into practice this philosophy, that is, good for all three parties: the seller, the buyer, and the society. We will incorporate CSR initiatives into our corporate activities that are rooted in the sampo yoshi philosophy to contribute to the achievement of a sustainable society over the next 150 years and play our part as a good corporate citizen.

Basic CSR Philosophy

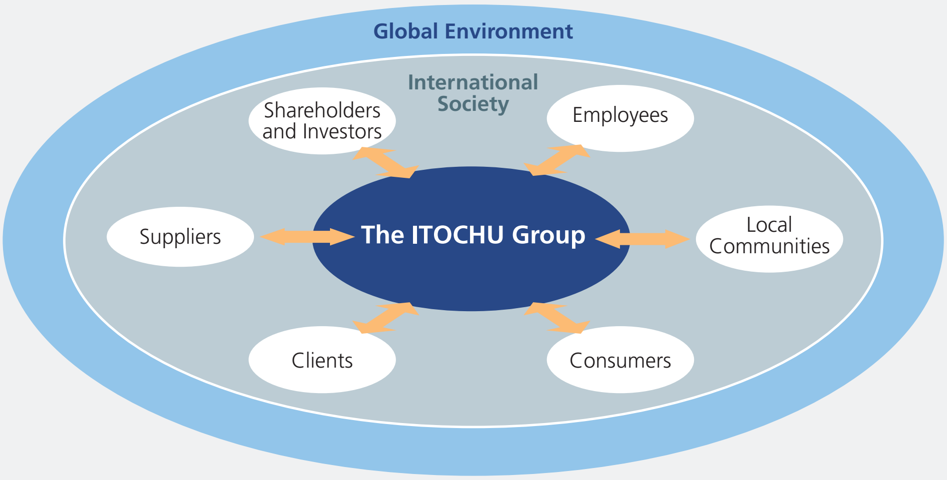
Modern society faces various social and environmental problems, such as global warming. Everyone in the world—in the public sector, in the civilian sector, and in the corporate sector—must work together to solve those significant problems. Among those sectors, situated at the center of economic activity, the corporate sector shoulders significant responsibility. Society will not recognize companies as good corporate citizens unless they take steps to solve such problems through their corporate activities.

ITOCHU operates multifaceted businesses at a large number of bases around the world. We must recognize the effect our corporate activities have on society and understand clearly the various demands society makes of us. And, we must spare no effort in responding to those demands. We believe that such responsiveness will realize CSR consistent with our *sampo yoshi* philosophy. Putting that CSR philosophy into practice will earn us recognition as a good corporate citizen, enable sustainable corporate activities, and thereby contribute to the achievement of a sustainable society. In its next century and a half, ITOCHU aims to be a *truly global enterprise* that society continues to trust and need.

CSR Approaches through Dialogue with Our Stakeholders

In each and every one of our wide range of corporate activities, we always take care to avoid arbitrary logic and judgments. For this reason, in our approaches to CSR as well, we engage in dialogue with our stakeholders based on the premise that judgments in society are by definition correct.

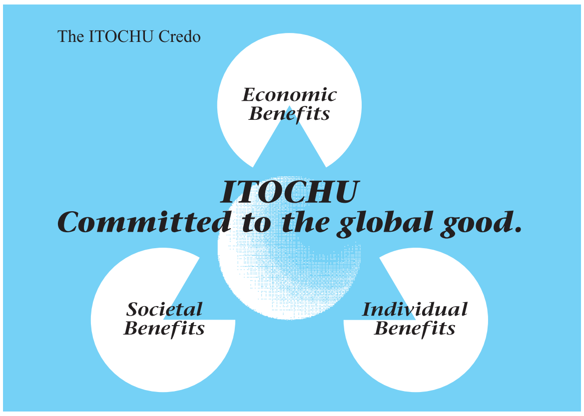
Major Stakeholders of the ITOCHU Group



Besides those noted above, our major stakeholders include many other parties, such as NGOs and NPOs, financial institutions, government ministries and agencies, mass media, and the coming generations.

ITOCHU Credo

Aiming to define its commitment to society as an internationally integrated corporation, ITOCHU established *Committed to the global good* as the ITOCHU Credo in 1992. Forming the basis of our approach to CSR, the ITOCHU Credo represents values that ITOCHU employees share worldwide and that we put into practice in corporate activities.



Incorporating CSR into Our Medium-Term Management Plan to Share and Realize ITOCHU Credo Worldwide

ITOCHU's Mid-Term Management Plan Frontier+ 2008—Enhancing Corporate Value on the World Stage, sets out as an overriding goal becoming *a global enterprise that is highly attractive to all stakeholders.* To that end, the entire ITOCHU Group, as an international organization, must share the ITOCHU Credo and implement CSR initiatives as a group. Therefore, Frontier+ 2008 positions the advancement of CSR initiatives as a priority. Further, we included consideration of CSR when preparing other measures for that Mid-Term Management Plan. Taking such an approach incorporates CSR initiatives into the mainstay operations of departments throughout the Company, which makes our CSR initiatives practical and effective.

Basic Policies in the CSR Promotion Activities during Fiscal 2009

In order to incorporate more specific CSR initiatives into management plans, when preparing Frontier+ 2008 we established basic policies in the CSR promotion activity during the period of Frontier+ 2008 throughout the Company.

To become a *truly global enterprise*, we must extend our CSR initiatives to encompass overseas bases, Group companies, and suppliers in its supply chain.

Accordingly, ITOCHU is expanding the scope of its CSR initiatives to include all overseas offices and overseas blocs during the period of Frontier+ 2008.

In the fiscal year ended March 2008, seven overseas blocs/offices led the way by formulating and implementing CSR Action Plans, reviewing implementation progress, and revising plans accordingly. In the fiscal year ending March 2009, we began formulating and implementing CSR Action Plans in the remaining blocs/offices. As a result, all 18 overseas blocs/offices are implementing CSR initiatives.

Further, regarding the CSR initiatives of Group companies, in the fiscal year ended March 2007, 13 companies formulated CSR Action Plans based on model method for Group companies and reviewed their progress in implementing these plans. In the fiscal year ended March 2008, the initiatives were extended to additional 24 companies. And, in the fiscal year ending March 2009, as well as having the accumulated 37 Group companies continue to implement, review, and improve their CSR Action Plans, we plan to broaden the scope of plan formulation activities and advance CSR initiatives in accordance with each Group company's business lines.

Also, we have extended the scope of CSR initiatives to include our suppliers.

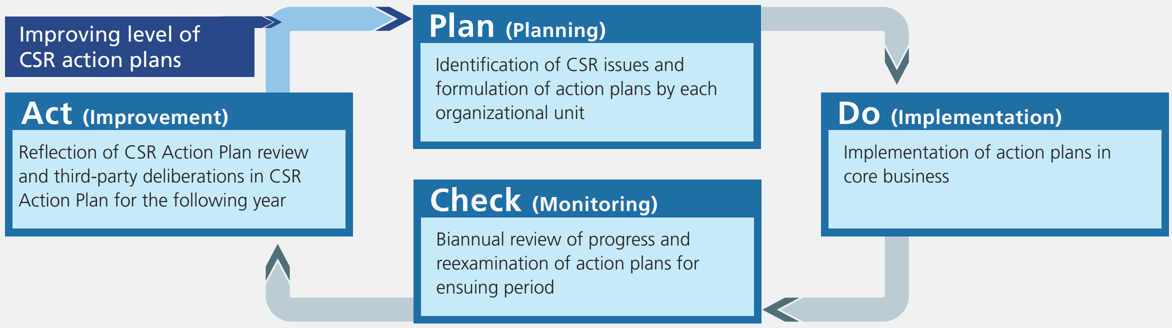
Basic policies in the CSR promotion activities during Frontier+ 2008

1) Strengthening communication with stakeholders
2) Ensuring and enhancing safety and reliability in the products, service and human aspects
3) Promoting CSR-related education and enlightenment
4) Expanding the scope of CSR activities

Implementing Our CSR Action Plan

At ITOCHU, each organization prepares a CSR Action Plan and, after understanding the CSR Action Plan applicable to them, employees carry out this plan in their respective duties. That approach lies at the heart of our advancement of CSR initiatives. For our CSR Action Plans, we use a plan-do-check-act cycle (please see the chart below). To continuously improve CSR Action Plans, we incorporate objective third-party viewpoints and take a range of other measures. In the fiscal year ended March 2008, we invited outside experts to meetings tasked with scrutinizing each division company's CSR Action Plan.

CSR Action Plan—PDCA Cycle



Supplier Check in Terms of CSR

ITOCHU began company-wide initiatives to advance CSR in supply chains, which it views as a priority CSR issue. Through dialogue with suppliers, we are ascertain the current situation in supply chains of businesses we are involved in, focusing in particular on whether there are any problems relating to human rights, labor, and the environment. And, we work with suppliers to resolve any problems identified.

Specifically, each division company prepared a checklist that mainly focuses on human rights and labor and reflected the situation in each industry. Using that checklist as a guide, managers investigated actual conditions in supply chains by visiting suppliers to conduct interviews or implementing questionnaires. In the fiscal year ended March 2008, six division companies conducted investigations of 229 companies, which provided a good opportunity to gain understanding among suppliers of ITOCHU's CSR philosophy.

Engagement with Stakeholders

ITOCHU is concentrating efforts on incorporating feedback from stakeholders. Measures to strengthen communication with stakeholders include the holding of meetings with third parties to consider the CSR Action Plans of each division company and the holding of regular internal CSR seminars themed on the CSR issues that each division company should concentrated on in their businesses. In addition, from the fiscal year ended March 2007, ITOCHU has held annual stakeholder dialogue meetings in which ITOCHU's president and CEO Eizo Kobayashi and other members of the senior management team exchange opinions with experts on material topics. Through such initiatives, ITOCHU reflects feedback from stakeholders inside and outside the Company in its CSR activities.

Compliance

A company built over a century and a half can be lost in a day. To ensure that we do not betray the trust our predecessors have placed in us, we will make concerted efforts to further expand and upgrade compliance systems and achieve rigorous compliance—the minimum requirement and the foundation of CSR.

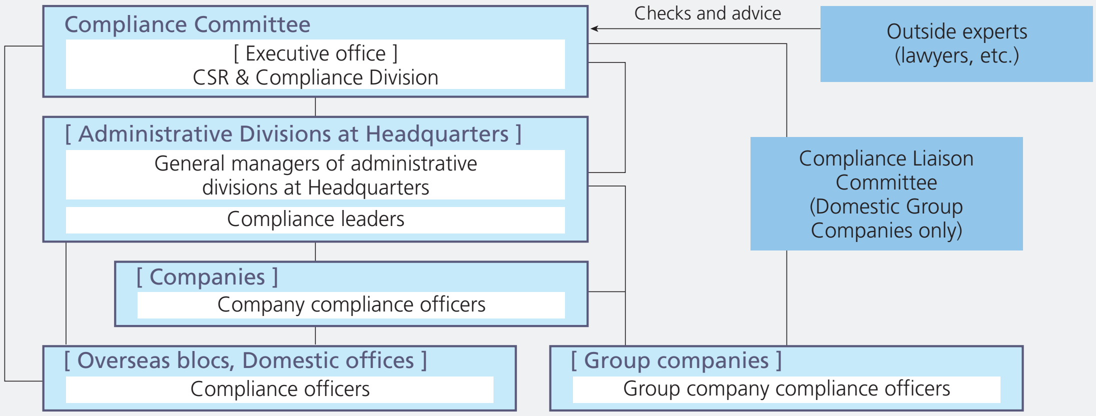
Compliance System

ITOCHU Group's compliance system centers on ITOCHU's chief compliance officer (CCO), the Compliance Committee, and the CSR & Compliance Division. In conjunction with those bodies and the CCO, compliance officers at each division company, domestic branch office, overseas bloc, and Group company strengthen and control compliance in accordance with the business lines of their organizations.

In particular, ITOCHU is concentrating efforts on mobilizing the whole Group to achieve stringent compliance. To that end, the Compliance Liaison Committee, comprising all compliance officers from Group companies and holding legal research workshops as needed in response to compliance trends and other circumstances, convenes twice a year.

Also, we monitor and review the compliance programs of all organizations within the Group twice a year. At the same time, viewing the education and training of employees as the most important factor in achieving rigorous compliance, we promote education by holding related workshops in each organization, distributing in-house information through e-mail newsletters, and conducting e-learning programs.

Compliance Structure



Compliance Initiatives for Global Security Risk Management and Importing

To prevent the proliferation of weapons of mass destruction and conventional weapons, Japan maintains strict trade-security under the Foreign Exchange and Foreign Trade Law. To observe such laws and regulations, we have implemented our own internal trade-security control program. Further, to ensure that we do not take part in business transactions that threaten international peace and security, not only do we meticulously comply with existing government laws and regulations, but we are voluntarily taking extra measures to ensure that our stakeholders and corporate reputation are adequately safeguarded through our implementation of a comprehensive global security risk management program.

The potential intersection of corporate operations with global terrorism or the development and proliferation of weapons of mass destruction can give rise to reputational and financial risks for ITOCHU and other companies with extensive international business operations.

Accordingly ITOCHU recognizes that, as a responsible member of society and the global business community, we need to manage carefully the potential risks associated with business operations in certain locations. In response to the growing field of corporate governance termed global security risk, ITOCHU has developed and implemented corporate policies, procedures, and internal reporting structures to ensure that we perform rigorous, security-minded due diligence with respect to projects and transactions in which security issues are implicated.

During the fiscal year ended March 2008, ITOCHU developed an overseas e-learning program addressing global security risk management and a trade-security control program for overseas national staff. Further, aiming to reduce exposure to global security risk in light of changes in international geopolitics, we re-evaluated which countries we regard as requiring prior risk control and management scrutiny.

Furthermore, to strengthen customs control, we established the Customs Control Office in the CSR & Compliance Division at Headquarters in April 2007. Since then, we have been developing systems and taking all necessary measures to implement overall control. The Customs Control Office is further ensuring customs compliance by conducting internal research at each Division Company before and after customs authorities' regular inspections, holding training sessions on import applications and customs valuation, and carrying out in-house monitoring activities.

Employee Relations

Personnel underpin ITOCHU's stable, continuous growth. Under Frontier+ 2008, we aim to become *a global enterprise that is highly attractive to all stakeholders* by pursuing human resources strategies that recruit, develop, and leverage employees worldwide. In those efforts, we help employees fully realize their potential, irrespective of their gender, nationality, or age.

Diversifying Personnel Further and Pursuing Global Human Resources Strategy

In order to become highly attractive *global enterprise*, we need to further diversify human resources. Under the Promotion Plan on Human Resource Diversification, we have supported the efforts of a variety of personnel since January 2004.

Employing, Developing, and Promoting Diverse Personnel

Based on ability and aptitude, we are recruiting more female employees for career-track positions to broaden the areas in which female employees can realize their abilities and encourage their promotion to senior management positions. Further, because we value personnel with diverse knowledge and experience regardless of age, we are hiring mid-career employees. Also, through an employment extension system, we provide support for the efforts of employees that caters to the diverse values of senior citizens.

Based on our principle of *strengthening employee capabilities while respecting the careers and diversity of individuals*, we carefully balance on-the-job-training and off-the-job-training for employees in accordance with their aptitude. Those personnel development initiatives focus on three main areas: managers, international personnel, and personnel diversity.

Promotion Plan on Human Resource Diversification
(January 2004–March 2009)

OBJECTIVES

- Provide maximum support to fully utilize the strengths and abilities of a variety of employees, **regardless of gender, nationality, or age**
- Create **an attractive company and corporate atmosphere** through the execution of the plan

Initiatives to Develop International Personnel

With a view to becoming a *truly global enterprise*, ITOCHU established an organization to strategically and continuously secure, develop, and recruit employees on a worldwide basis. In October 2007, we established a Global Talent Enhancement Center at bases in Japan, New York, London, Shanghai, and Singapore, a Global Talent Enhancement Center Headquarters (GTEC Headquarters) in Headquarters to supervise these centers, and a Global Talent Enhancement Office to act as a secretariat for GTEC Headquarters. For general trading companies, which do not have technological capabilities, employees are the drivers of growth strategies. Therefore, the extent to which we can add value to employees as a management resource is key to achieving growth strategies. With that in mind, we are optimally deploying employees on a worldwide basis, irrespective of their national, race, gender, or age.

Achieving Comfortable Workplaces and a Balance between Work and Other Commitments

Because ITOCHU is diversifying its workforce, creating workplaces that enable a variety of employees to play an active part in operations is important. At ITOCHU, we define the balance between work and other commitments as follows.

- The ability of employees who want to continue working to act autonomously through diverse working styles
- The creation of a culture of mutual respect
  (Respect Work styles / Respect lifestyles / Respect You)

In March 2008, ITOCHU expanded and improved its child care and nursing care systems. To enable employees to achieve further successes in their working lives, we will pursue diverse working styles unencumbered by previous ideas.

Communications with Employees

In order to create a highly attractive *global enterprise* and corporate culture, good communication between our senior management team and other employees is essential. Since fiscal 2002, once or twice a year ITOCHU has held Company-Wide Employee Meeting, in which all employees are free to participate, to promote direct dialogue between senior management and other employees and lively discussion.

Further, in September 2006 we instituted the Diversity Forum, where employees formulate specific measures to further diversify our workforce. Themed on "Balancing Professional and Life Commitments to Support Employee Diversity," the forum in the fiscal year ended March 2008 deliberated "diverse ways of working" that are rational, efficient, and unencumbered by previous ideas about working styles and reported to senior management its findings, which we are steadily reflecting in personnel initiatives. ITOCHU continues to create comfortable workplace environments by further improving mutual communication between senior management and other employees.

"Question and answer" session in which everyone participates

President and CEO Eizo Kobayashi talks with employees

A Good Corporate Citizen

Social Contribution Activities

ITOCHU undertakes a variety of social contribution initiatives in accordance with the ITOCHU Credo, which calls on the Company to fulfil its role as a Good Corporate Citizen.

Basic Activity Guidelines on Social Contribution

BASIC ACTIVITY GUIDELINES

1. As a globally active enterprise, ITOCHU Corporation shall take proactive approaches to humanitarian issues around the world and help to build a better, more humane world.
2. ITOCHU Corporation shall vigorously pursue activities of environmental preservation and contribute to sustainable social advancement.
3. As a good corporate citizen, ITOCHU Corporation shall construct favorable relationships, and harmonize its business, with local communities.
4. ITOCHU Corporation shall conduct activities to support the sound development of youth as tomorrow's leaders and work for the emergence of fulfilling and vibrant communities.
5. ITOCHU Corporation shall provide positive support for the activities of social contribution by each and every one of its employees.

Specific Programs

Establishment of Social Contribution Week

We made the two weeks centered on December 1, the anniversary of our establishment, a period for undertaking various voluntary activities from the fiscal year ended March 2008. Those activities included implementing the Table for Two program, which aims to resolve the imbalance in relation to food between developing countries and developed countries, at the employee restaurants of our Tokyo Head Office and Osaka Head Office, and our branch in Nagoya. Moreover, we donated picture books and used books to a non-profit organization.

Panel Exhibition of the United Nations World Food Programme

From December 11 to 21, 2007, we held a panel exhibition on "WFP school feeding programme—food and future for children—" on the first floor of our Tokyo Head Office. The panels of WFP's school feeding activities for children suffering from hunger and pictures drawn by children who receive assistance from WFP were displayed. We also conducted an office donation drive at lunchtime during the event.

ITOCHU Baseball Class

ITOCHU has started to give physically challenged children various opportunities to discover their full potential. In November 2007, we invited an instructor from Tokyo Yakult Swallows Baseball Club and held a baseball class at Jingu Gaien Indoor Baseball Practice Place, which 84 people including volunteers participated in.

Aid to Areas Affected by Major Natural Disasters

For humanitarian reasons, we collaborate with local branch offices to donate money for the emergency relief of people affected by natural disasters. We have provided help in response to such disasters as earthquakes in Peru and Japan's Niigata Chuetsu region and a cyclone in Bangladesh. Further, we have provided aid through local trading subsidiaries to those affected by large wildfires in southern California in the United States and record snow damage in central and southern China.

ITOCHU Lobby Concerts

ITOCHU Lobby Concerts featuring the New York Symphonic Ensemble have become an annual fixture. In the fiscal year ended March 2008, we invited physically challenged individuals from general welfare facilities in Kanagawa Prefecture to come and enjoy the music. On the day of the concerts volunteers from inside and outside the Company helped the concert guests.

ITOCHU FOUNDATION

ITOCHU established the ITOCHU FOUNDATION in 1974 to foster youths of sound body and mind. The Foundation mainly supports educational reading programs for children conducted by volunteers in many areas, manages the Center for Tokyo Elementary and Junior High School Students—said to be the first of its kind in the private sector—and organizes camping activities that emphasize interaction among different age groups. Continued over many years, those efforts have earned approval from society.

Table for Two menu

ITOCHU baseball class

ITOCHU FOUNDATION donated 100 books to ICBA (International Children's Bunko Association) in London

Environmental Issues

ITOCHU has positioned global environmental problems such as global warming as one of its highest management priorities, and to fulfill our corporate credo, Committed to the Global Good, the Company takes measures in all aspects of corporate activities to conserve the environment based on its Environmental Policy.

Environmental Policy

ITOCHU revised its Environmental Policy in September 2007. As well as changing the wording throughout and using modern, readily understandable expressions, we included *contribution to the realization of a sustainable society*—a fundamental facet of CSR—in Basic Philosophy. Further, in Activity Guidelines we stated our approach to furthering conservation of the environment in business activities under the heading *Promotion of environmental conservation activities*. The new content reflects changes in the frames of reference that society uses to make value judgments. As an indication of the responsibilities it will meet as a company in relation to the environment, ITOCHU has set out the Basic Philosophy and Activity Guidelines below, to which the top management has committed himself inside and outside the Company.

ITOCHU's Environmental Policy

[I] BASIC PHILOSOPHY

Global warming and other environmental issues will affect the future of mankind. As a global enterprise, ITOCHU is positioning these issues as one of the most important management policies. ITOCHU contributes to the realization of a sustainable society by promoting active involvement in environmental issues based on ITOCHU Code of Conduct, in order to achieve the goals of ITOCHU Credo, "Committed to the global good."

[II] ACTIVITY GUIDELINES

In keeping with the basic philosophy presented above, ITOCHU pursues a continual improvement of its environmental management system and defines the following guidelines concerning activities of environmental conservation.

(1) Prevention of environmental pollution
(2) Observance of laws and regulations
(3) Promotion of environmental conservation activities
(4) Harmonious coexistence with society
(5) Promotion of educational activities

Evaluation of the Environmental Impact of Products through Life Cycle Assessment

As a global company with trading and other business activities in Japan and overseas that involve a very wide variety of products, ITOCHU annually provides using life cycle assessment-based procedures to evaluate the respective environmental risks associated with the products and services it provides. In order to investigate the impact division companies' business activities have on the environment, we ascribe numerical values to the environmental impact that each product has throughout its lifecycle from raw material procurement, to production, finally to disposal after use. We designate aspects a product's environmental impact that are above a certain level as "significant environmental aspects" and control them accordingly.

Environmental Risk Management of Group Companies

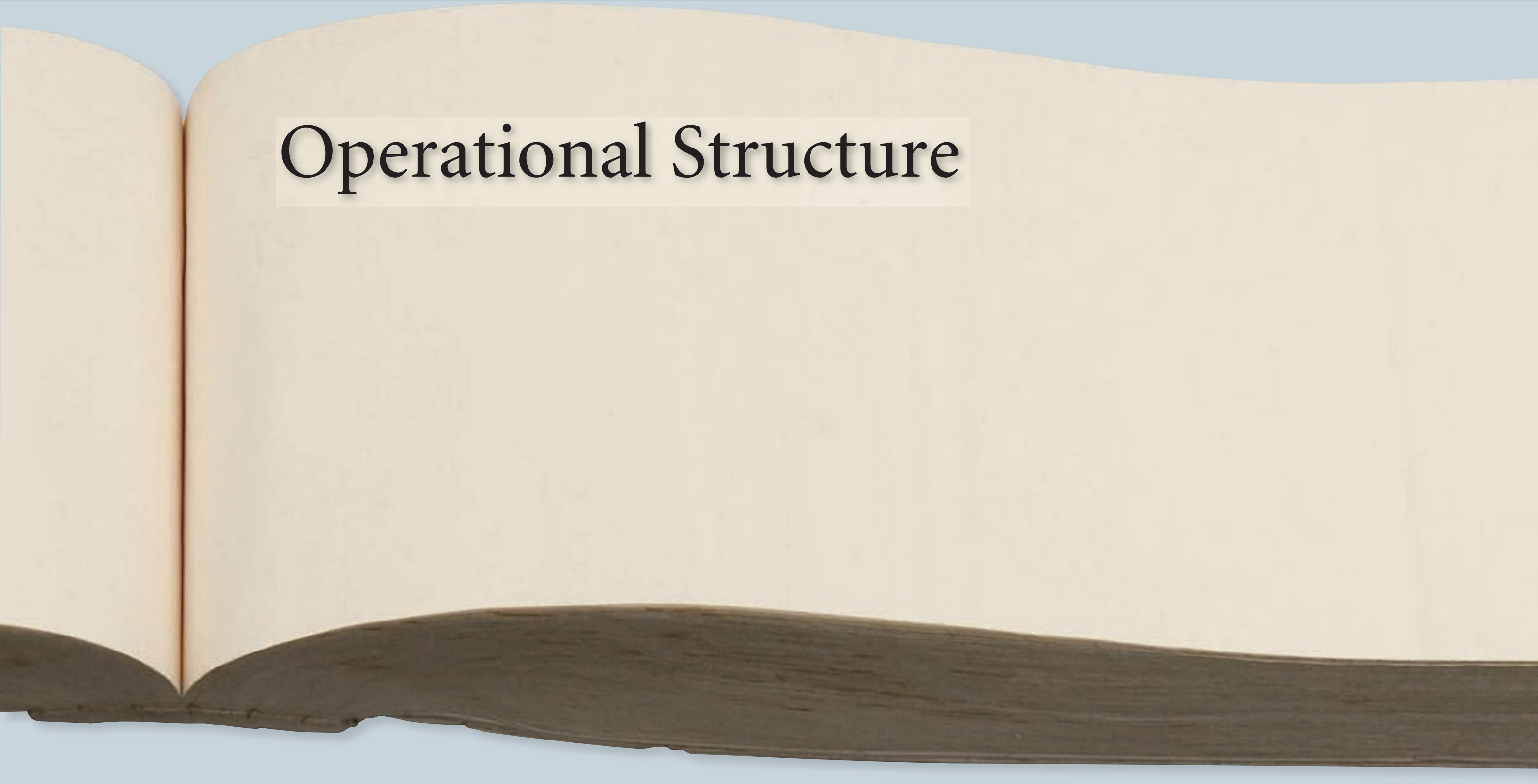
As part of Environmental Management of ITOCHU Group, since the year ended March 2002, Global Environment Department of ITOCHU annually visits about 20 group companies for proactive measures of environmental risks. Then, they evaluate and analyze whether the companies try to conduct environmental conservation activities, whether they observe applied environmental laws and regulations adequately, and whether they continuously carry out employee education in each site. ITOCHU leads them to comply with applied regulations and also advises them to prevent possible accidents as much as possible, and accordingly strengthens environmental management system of each group company.

Harmonious Coexistence with Society

As a good corporate citizen, ITOCHU coexists with society through initiatives that reflect a policy of giving prosperity to the next generation, benefiting society, helping with environmental education in local communities, and supporting research on the conservation of the global environment. For example, the Company and its Group companies support basic research on themes such as global warming by Center for Climate System Research, University of Tokyo. As part of that support, we annually hold public seminars once in Tokyo, and another in Osaka to announce research results. Further, we organize Summer School Programs on the Environment every year mainly for elementary school students in Minato-ku, the location of our Tokyo Head Office.

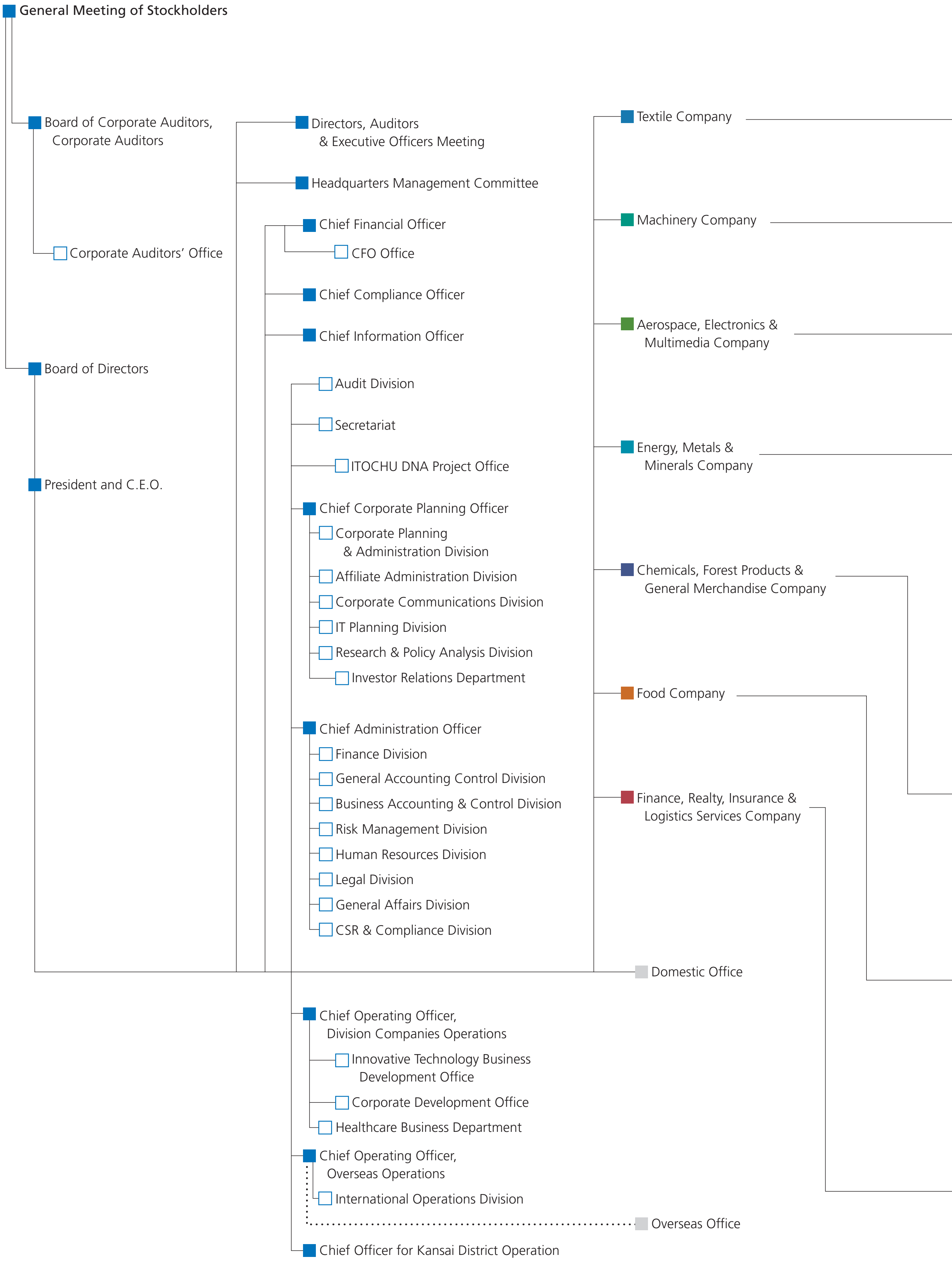
A seminar open to the general public

Operational Structure



Organizational Structure

As of July 1, 2008



In addition to the above organization, the Group Management Committee (GMC) was established to heighten the overall value of the ITOCHU Group.

- Textile Material & Fabric Division
- Apparel Division
- Brand Marketing Division 1
- Brand Marketing Division 2
- Planning & Coordinating Department
- Affiliate Administration Department
- Monitoring & Review Section
- IT Business Development Department

- Textile Material & Fabric Department
- Fabric & Apparel Department
- Apparel Department 1
- Apparel Department 2
- Brand Marketing Department 1
- Brand Marketing Department 2
- Brand Marketing Department 3
- Industrial Textile & Lifestyle Department

Number of Employees	
Consolidated*	5,046
Non-consolidated	410

Number of Subsidiaries and Associates	
Domestic	30
Overseas	22

- Plant & Project Division
- Automobile Division
- Industrial Machinery & Solution Division
- Planning & Coordinating Department
- Affiliate Administration Department

- Marine Department
- Plant & Project Business Development Department
- Plant & Project Department No. 1
- Plant & Project Department No. 2
- Automobile Department No. 1
- Automobile Department No. 2
- Automobile Business Promotion Department
- Isuzu Business Department
- Construction Machinery & Overseas Project Department
- Industrial Machinery & System Department

Number of Employees	
Consolidated*	8,536
Non-consolidated	444

Number of Subsidiaries and Associates	
Domestic	19
Overseas	63

- Aerospace & Electronic Systems Division
- IT & Business Solutions Division
- Media Business Division
- Planning & Coordinating Department
- Affiliate Administration Department

- Aerospace & Defence Department
- Aircraft & Electronics Department
- Information Technology Business Department
- Business Solutions Department
- Network & Content Business Department
- Mobile & Wireless Department

Number of Employees	
Consolidated*	9,670
Non-consolidated	161

Number of Subsidiaries and Associates	
Domestic	60
Overseas	11

- Metals, Mineral Resources & Coal Division
- Energy Trade Division
- Energy Development Division
- Planning & Coordinating Department
- Affiliate Administration Section
- Steel Business Administration Department

- Iron Ore & Steelmaking Resources Department
- Non-Ferrous & Metal Materials Department
- Coal Department
- International Energy Trading Department
- Energy Sales & Supply Department
- Exploration & Production Department
- Natural Gas Project Department

Number of Employees	
Consolidated*	752
Non-consolidated	240

Number of Subsidiaries and Associates	
Domestic	16
Overseas	21

- Forest Products & General Merchandise Division
- Chemicals Division
- Planning & Coordinating Department
- Affiliate Administration Department

- Forest Resources & Products Department
- General Merchandise Department
- Organic Chemicals Department No. 1
- Organic Chemicals Department No. 2
- Inorganic Chemicals Department
- Plastics Department
- Retail & Plastics Materials Department

Number of Employees	
Consolidated*	8,429
Non-consolidated	285

Number of Subsidiaries and Associates	
Domestic	35
Overseas	47

- Provisions Division
- Fresh Food & Food Business Solutions Division
- Food Products Marketing & Distribution Division
- Planning & Coordinating Department
- Affiliate Administration Department

- Oilseeds, Oils & Fats Department
- Grain & Feed Department
- Sugar, Confectionary Materials & Dairy Products Department
- Coffee & Beverage Marketing Department
- Marine Products Department
- Meat Products Department
- Agri Products & Food Service Department
- Imported Food Marketing & Distribution Department
- Food Products Marketing & Distribution Department
- FamilyMart Department

Number of Employees	
Consolidated*	7,889
Non-consolidated	344

Number of Subsidiaries and Associates	
Domestic	76
Overseas	21

- Financial and Insurance Services Division
- Construction & Realty Division
- Logistics Services Division
- Planning & Coordinating Department
- Affiliate Administration Department
- Orico Business Integrated Department

- Financial Markets Department
- Financial Solution Development Department
- Consumer Credit Business Department
- Insurance Department No. 1
- Insurance Department No. 2
- Construction & Realty Department No. 1
- Construction & Realty Department No. 2
- Osaka Construction & Realty Department
- Logistics Solution Department
- Logistics Projects Department

Number of Employees	
Consolidated*	2,708
Non-consolidated	278

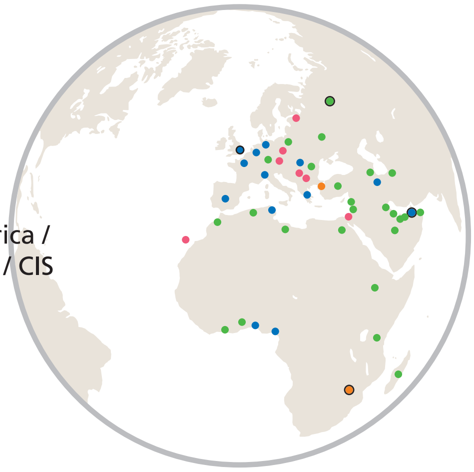
Number of Subsidiaries and Associates	
Domestic	40
Overseas	27

* The numbers of employees, subsidiaries, and associates are as of March 31, 2008.
* The number of consolidated employees is based on actual working employees excluding temporary staff.

Global Network / Bank List

As of July 1, 2008

[Global Network]



North America / Latin America

North America
ITOCHU International Inc.
22nd and 23rd Floors, Bank of America Plaza, 335 Madison Avenue, New York N.Y. 10017, U.S.A.
Telephone : 1-212-818-8000
Facsimile : 1-212-818-8361
- New York, Chicago, San Francisco, Los Angeles, Washington, Houston, Portland, Vancouver

Latin America
ITOCHU BRASIL S.A.
Av. Paulista 37-19 andar, Vila Mariana, São Paulo CEP 01311-902, BRAZIL
Telephone : 55-11-3170-8501
Facsimile : 55-11-3170-8549
- São Paulo, Rio de Janeiro, Panama, Buenos Aires, Bogota, Mexico City, Santiago, Caracas, Quito
- Guatemala, San Salvador, Lima, Havana, Mexico City

Europe / Africa / Middle East / CIS

Europe
ITOCHU Europe PLC.
The International Press Center, 76 Shoe Lane, London EC4A 3PJ, U.K.
Telephone : 44-20-7827-0822
Facsimile : 44-20-7583-1847
- London, Düsseldorf, Hamburg, Paris, Milano, Madrid, Athens, Budaors, Budapest, Tunis
- Alger, Casablanca, Praha, Bucharest, Warszawa

Africa
ITOCHU Corporation, Johannesburg Branch
Muirfield Block No. 7, Fourways Golf Park, Roos Street, Fourways, 2055, SOUTH AFRICA
Telephone : 27-11-465-0030
Facsimile : 27-11-465-0635/0604
- Lagos, Douala
- Johannesburg
- Abidjan, Accra, Nairobi, Addis Ababa, Tananarive

Middle East
ITOCHU MIDDLE EAST FZE
LOB 12 - Office No. 119 & 121, P.O.Box 61422, Jebel Ali Free Zone, Dubai, U.A.E.
Telephone : 971-4-881-9026
Facsimile : 971-4-881-9027
- Dubai, Tehran
- Istanbul
- Cairo, Amman, Ankara, Riyadh, Damman, Kuwait, Muscat, Doha, Tripoli, Karachi, Islamabad, Abu Dhabi

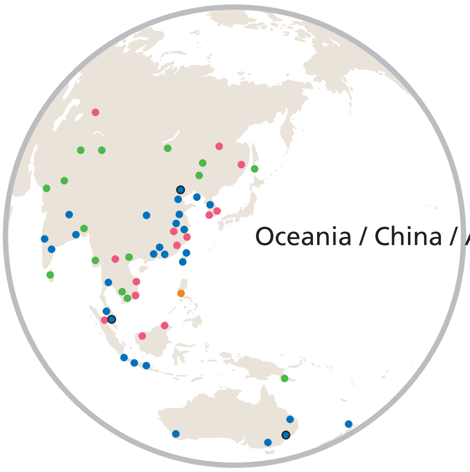
CIS
ITOCHU Corporation, Moscow Office
Savvinskaya Office Building, 9th Floor, Savvinskaya Nab., 15, Moscow, 119435, RUSSIAN FEDERATION
Telephone : 7-495-961-1456
Facsimile : 7-495-961-1447/1448
- Moscow, Yuzhno-Sakhalinsk, Almaty, Kiev, Ashgabat, Tashkent, Baku

Oceania / China / Asia / Japan

Oceania
ITOCHU Australia Ltd.
Level 29, Grosvenor Place, 225 George Street, Sydney, N.S.W. 2000, AUSTRALIA
Telephone : 61-2-9239-1500
Facsimile : 61-2-9241-3955
- Sydney, Melbourne, Perth, Brisbane, Auckland
- Port Moresby

China
ITOCHU (China) Holding Co., Ltd.
Room 501, 5/f, No. 2 Office Building, China Central Place, No. 79, Jian Guo Road, Chaoyang District, Beijing, THE PEOPLE'S REPUBLIC OF CHINA
(ZIP code: 100025)
Telephone : 86-10-6599-7000
Facsimile : 86-10-6599-7111
- Beijing, Shanghai, Dalian, Tianjin, Qingdao, Hong Kong, Guangzhou, Shenzhen, Nanjing, Sichuan
- Sichuan, Shenyang, ChangChun

Asia
ITOCHU Singapore Pte, Ltd.
9 Raffles Place, #41-01 Republic Plaza, SINGAPORE 048619
Telephone : 65-6230-0400
Facsimile : 65-6230-0560
- Singapore, Kuala Lumpur, Jakarta, Surabaya, Bandung, Bangkok, New Delhi, Mumbai, Kolkata, Chennai, Taipei, Kaohsiung, Seoul
- Kuala Lumpur, Manila
- Jakarta, Hanoi, Ho Chi Minh City, Yangon, Phnom Penh, Colombo, Dhaka, Ulaanbaatar



Japan

Headquarters

Tokyo
5-1, Kita-Aoyama 2-chome,
Minato-ku, Tokyo, 107-8077, JAPAN
Telephone :81-3-3497-2121
Facsimile :81-3-3497-4141

Osaka
1-3, Kyutaro-machi 4-chome,
Chuo-ku, Osaka, 541-8577, JAPAN
Telephone: 81-6-6241-2121
Facsimile: 81-6-6241-3220

Nagoya, Kyushu, Chugoku, Hokkaido, Tohoku, Niigata, Shizuoka, Toyama, Kanazawa, Fukui, Kobe, Shikoku, Naha, Oita, Tochio

[Bank List]

ITOCHU has financial transactions with the following banks.

North America
Bank of America, N.A.
Canadian Imperial Bank of Commerce
Citibank, N.A.
Comerica Bank
JPMorgan Chase Bank
Wachovia Bank, N.A.
Wells Fargo Bank, N.A.

Central & South America
Banamex S.A. Grupo Financiero Citigroup
Banco de Credito-Helm Financial Service

Europe & Africa
ABN AMRO Bank N.V.
Banca Nazionale del Lavoro
Barclays Bank PLC
Bayerische Hypo- und Vereinsbank AG
BNP Paribas
CALYON
Deutsche Bank
ING Bank N.V.
Intesa Sanpaolo S.p.A.
Investec Bank Limited
Rabobank Nederland
The Royal Bank of Scotland plc
Societe Generale
The Standard Bank of South Africa Limited
Standard Chartered Bank

Middle East
Saudi American Bank
Union National Bank

Oceania
Australia and New Zealand Banking Group Limited
Westpac Banking Corporation

Asia
Bangkok Bank Public Company Limited
Bank of China
Bank of Communications
Bankthai Public Company Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China
Kasikornbank Public Company Limited
Malayan Banking Berhad
RHB Bank Berhad

Japan
Mizuho Corporate Bank, Ltd.
Sumitomo Mitsui Banking Corporation
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Shinsei Bank, Ltd.
Aozora Bank, Ltd.
Resona Bank, Limited
The Sumitomo Trust and Banking Co., Ltd.
The Chuo Mitsui Trust and Banking Company, Limited.
Mizuho Trust & Banking Co., Ltd.
Mitsubishi UFJ Trust and Banking Corporation
Japan Bank for International Cooperation
Development Bank of Japan
The Norinchukin Bank
Shinkin Central Bank

Major Subsidiaries and Associated Companies

As of March 31, 2008

Textile Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU HOME FASHION CORPORATION	100.0	Manufacture and wholesale of home furnishings	2
		ROY-NE CO., LTD.	88.6	Manufacture and wholesale of woven and knitted products	3
		ITOCHU MODEPAL CO., LTD.	100.0	Manufacture and wholesale of apparel	3
		UNICO CORPORATION	100.0	Manufacture and wholesale of uniforms	3
		MAGASeek Corporation	64.4	Retail website of fashion apparel by PC and mobile	3
		Liond'or Co., Ltd.	100.0	Manufacture and wholesale of men's apparel	3
		HUNTING WORLD JAPAN Co., Ltd.	100.0	Import and sale of Hunting World brand products	3
		JOI'X CORPORATION	100.0	Sale of men's apparel	7
		CORONET CORPORATION	100.0	Manufacture, import, and wholesale of apparel	3
		ITOCHU FASHION SYSTEM Co., Ltd.	100.0	Comprehensive consulting in the fashion industry	3
		Richard-Ginori Japan Corporation	50.0	Import and sale of Richard Ginori and Pagnossin Group brand products	12
		RAIKA CO., LTD	100.0	Manufacture and wholesale of apparel	3
		CI Shopping Service Co., Ltd.	100.0	Sale of everyday items aimed at ITOCHU Group employees and families	3
		CI TEXTILE SERVICE CO., LTD.	100.0	Outsorcing of administrative duties for delivery and accounting	3
		SCABAL JAPAN Co., Ltd.	80.0	Importation and sale of SCABAL brand products	3
	Overseas	ITOCHU Textile Materials (Asia) Ltd. (Hong Kong S.A.R., China)	100.0	Wholesale of chemical fibers, filament yarns, and cotton yarns	3
		Prominent Apparel Ltd. (Hong Kong S.A.R., China)	100.0	Production control and wholesale of textile and apparel	3
		TIANJIN HUADA GARMENT CO., LTD. (China)	100.0	Manufacture of uniforms	12
		UNIMAX SAIGON CO., LTD. (Vietnam)	80.0	Manufacture of uniforms	12
		ITOCHU TEXTILE (CHINA) CO., LTD (China)	100.0	Production control and wholesale of textile materials, fabrics and apparel	12
Associates	Domestic	DEAN & DELUCA JAPAN Co., Ltd.	20.4	Operation of cafeteria chain and other new business	2
		JAVA HOLDINGS CO., LTD.	35.0	Holding company of retail of ladies & kids apparel brand	2
		AYAHA CORPORATION	33.5	Manufacture of tire cords, etc.	3
	Overseas	Thai shikibo co., ltd. (Thailand)	30.0	Manufacture of cotton yarn	12
		Paul Smith Group Holdings Limited (U.K.)	40.4	Holding company of Paul Smith Group	6

Machinery Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU Plantech Inc.*	100.0	Export and import of small-to-medium-scale plant and equipment and domestic environmental and energy solution businesses	3
		IMECS Co., Ltd.	100.0	Ownership and operation of ships, chartering, ship machinery, second-hand ships, software development, and administration management of overseas shipping companies	3
		ITOCHU Automobile Corporation	100.0	Export/Import and inter-third trade of car parts	3
		ITOCHU CONSTRUCTION MACHINERY CO., LTD.	100.0	Sales and rental of construction machinery	3
		ITOCHU SANKI CORPORATION	100.0	Wholesale of industrial machinery	3
		ITOCHU Texmac Corporation*	100.0	Wholesale of textile machinery	3
	Overseas	MCL GROUP LIMITED (U.K.)	100.0	Warehousing, retail, and financing of motor vehicles	12
		IM AUTOTRADE HOLDING G.m.b.H. (AUSTRIA)	100.0	Wholesale and inter-third trade of mortor vehicles and motorcycles	12
		ITOCHU Automobile America Inc. (U.S.A.)	100.0	Retail, distribution, and trading of motor vehicles	12
		Auto Investment Inc. (U.S.A.)	100.0	Retail of motor vehicles	12
		PROMAX Automotive, Inc. (U.S.A.)	100.0	Third-party logistics services	12
		VEHICLES MIDDLE EAST FZCO (U.A.E.)	100.0	Trade finance for motor vehicles	12
		MULTIQUIP INC. (U.S.A.)	100.0	Distribution and manufacturing of light construction equipment and generators	12
		North American Energy Services Inc. (U.S.A.)	100.0	Power plant operation and maintenance services provider for independent power producers and utilities	12

* Formed on April 1, 2007, through the merger of ITOCHU Plant & Machinery Corporation and Enesol Inc.
* On April 1, 2008, ITOCHU Plamac Corporation and ITOCHU Texmac Corporation merged to form ITOCHU SysTech Corporation.

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Associates	Domestic	Barracuda & Caratinga Investment Corporation	30.0	Investment in the project for the construction, ownership, and operation of deep sea oil & gas production facilities	12
		Malha Gas Investment Co., Ltd.	30.0	Investment in the project for the construction, ownership, and operation of gas pipelines	3
		ISUZU Network Company Limited	25.0	Commercial vehicle life cycle business	3
		MYSTAR ENGINEERING CORP.	20.3	Maintenance services for high-tech equipment	3
		Century Leasing System, Inc.	20.1	Diversified leasing business	3
	Overseas	Komatsu Southern Africa (Pty) Ltd. (Republic of South Africa)	20.0	Sales and service of construction machinery	3

Aerospace, Electronics & Multimedia Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU Techno-Solutions Corporation	51.3	System consultation, integration, administration, maintenance, support, training and outsourcing	3
		Excite Japan Co., Ltd.	59.7	Internet directory service, information serching and providing service	3
		SPACE SHOWER NETWORKS INC.	51.1	Music channel on cable/satellite television	3
		NANO Media Inc.	51.6	Content publishing, mobile site operation, and application development	3
		ITC NETWORKS CORPORATION	60.7	Retail network of mobile phones	3
	Overseas	ITOCHU AirLease B.V. (Netherlands)	100.0	Lease of commercial aircraft	3
Associates	Domestic	JAMCO Corporation	33.3	Maintenance of aircraft and manufacture of aircraft interior	3
		SUNCALL CORPORATION	21.9	Manufacture and sales of optical communication devices, electronic devices and assembly	3

Energy, Metals & Minerals Company

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Subsidiaries	Domestic	ITOCHU Non-Ferrous Materials Co., Ltd.*	100.0	Import/Export and wholesale of non-ferrous/light metals and products	3
		ITOCHU Oil Exploration Co., Ltd.	96.4	Exploration and production of oil, gas and other hydrocarbon resources	12
		ITOCHU Petroleum Japan Ltd.	100.0	International trade of crude oil and petroleum products, charter and operation of oil tankers, sales of bunker fuel oil and operation of oil storage facilities	3
	Overseas	ITOCHU Minerals & Energy of Australia Pty Ltd (Australia)	100.0	Investment and sales in projects of iron ore, coal and bauxite mining, manufacture of alumina and oil exploration	3
		ITOCHU Petroleum Co., (Hong Kong) Ltd. (Hong Kong S.A.R., China)	100.0	International trade of uranium	3
		IPC EUROPE LTD. (U.K.)	100.0	International trade of crude oil and petroleum products	12
		ITOCHU Oil Exploration (Azerbaijan) Inc. (Cayman Islands, British West Indies)	100.0	Exploration and production of crude oil and gas	12
Associates	Domestic	Marubeni-Itochu Steel Inc.	50.0	Import/Export and wholesale of steel products	3
		ITOCHU ENEX CO., LTD.	39.1	Wholesale of petroleum products and gas	3
		NISSHO Petroleum Gas Corporation	25.0	Wholesale of LPG and petroleum products	3
		Japan Ohanet Oil & Gas Co., Ltd.	35.0	Exploration and production of gas and condensate	12
	Overseas	Galaxy Energy Group Ltd. (British Virgin Islands)	25.0	International trade of crude oil and petroleum products	12
		Chemoil Energy Limited (Hong Kong S.A.R., China)	37.5	International trade of petroleum products	12
		IPC (USA), Inc. (U.S.A.)	50.0	International trade of crude oil and petroleum products	12

* On April 1, 2008, the name of ITOCHU Non-Ferrous Materials Co., Ltd. was changed to ITOCHU Metals Corporation.

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Chemicals, Forest Products & General Merchandise Company					
Subsidiaries	Domestic	ITOCHU Kenzai Corp.	86.9	Wholesale of wood products and building materials	3
		Daishin Plywood Co., Ltd.	100.0	Manufacture of plywood	3
		ITOCHU Forestry Corp.	100.0	Landscaping, greenery development, and wastewater treatment systems	3
		ITOCHU Pulp & Paper Corp.	100.0	Wholesale of paper, paper boards, and various materials	3
		ITOCHU Ceratech Corp.	100.0	Manufacture and sale of ceramic raw materials and products	3
		ITOCHU Windows Co., Ltd.	100.0	Manufacture and sale of insulating glass	3
		I.C.S. Co., Ltd.	95.0	Sale of tires and wheels	3
		IFA Co., LTD.	100.0	Manufacture and wholesale of shoes and bags	3
		ILLUMS JAPAN CO., LTD.	85.0	Retail of Scandinavian modern design interior	2
		ITOCHU CHEMICAL FRONTIER Corporation	96.4	Wholesale of fine chemicals and related raw materials	3
		ITOCHU PLASTICS INC.	100.0	Development and wholesale of plastics and related products	3
		The Japan Cee-Bee Chemical Co., Ltd.	90.0	Manufacture and processing of metal pretreatment chemicals	3
		VCJ Corporation	80.0	Wholesale of DVD/video and plastic products for retailers	3
		Chemical Logitec Co., Ltd.	100.0	Management of chemical storage warehouses and transportation of chemicals and other cargos	3
		SHOWA ALUMINUM POWDER K.K.	85.1	Manufacture of aluminum paste	12
	Overseas	CIPA Lumber Co., Ltd. (Canada)	100.0	Manufacture of veneer	12
		Pacific Woodtech Corporation (U.S.A.)	100.0	Manufacture of LVL & I-Joist	12
		PrimeSource Building Products, Inc. (U.S.A.)	100.0	Wholesale of building materials	12
		PT. Aneka Bumi Pratama (Indonesia)	100.0	Processing of natural rubber	12
		Am-Pac Tire Distributors Inc. (U.S.A.)	100.0	Wholesale and retail of tires	12
		Stapleton's (Tyre Services) Ltd. (U.K.)	100.0	Wholesale and retail of tires	12
		ITOCHU Plastics Pte. Ltd. (Singapore)	100.0	Wholesale of plastic resins	12
		Plastribution Limited (U.K.)	100.0	Wholesale of synthetic resins	12
		RUBBERNET (ASIA) PTE LTD. (Singapore)	80.0	Sale of crude rubber	12
		ITOCHU Chemicals America Inc. (U.S.A.)	100.0	Wholesale of chemical products and synthetic resins	12
		ZHEJIANG YIPENG CHEMICAL CO., LTD. (China)	60.0	Manufacture of anhydrous fluoric acid	12
		Galleher Corporation (U.S.A.)	100.0	Wholesale of flooring materials	12
Associates	Domestic	Japan Brazil Paper and Pulp Resources Development Co., Ltd.	25.9	Investment in CENIBRA, one of the largest eucalyptus pulp manufacturers in Brazil	3
		DAIKEN CORPORATION	20.2	Manufacture of building materials and construction parts	3
		PPG-CI Co., Ltd.	49.0	Import and sale of float-glass	11
		TAKIRON Co., Ltd.	26.7	Manufacture of flat and corrugated plastic sheets	3
		C.I. KASEI Co., Ltd.	36.6	Manufacture of PVC pipe and film and related materials	3
		TOHO EARTHTECH, INC.	34.2	Exploration and production of natural gas and iodine	3
		Ningbo PTA Investment, Co., Ltd	35.0	Investment in manufacture of PTA in China	3
	Overseas	ALBANY PLANTATION FOREST COMPANY OF AUSTRALIA PTY. LIMITED (Australia)	28.4	Plantation of eucalyptus trees for papermaking	3
		SOUTH EAST FIBRE EXPORTS PTY. LTD. (Australia)	37.5	Manufacture of woodchip	12
		THAITECH RUBBER CORPORATION LTD. (Thailand)	33.0	Processing of natural rubber	12
		Siam Riso Wood Products Co., Ltd. (Thailand)	38.4	Manufacture of particle board	12
		□ NARENDRA PLASTIC PVT. LTD. (India)	29.9	Manufacture of plastics bags	3
		□ SUMIKA POLYMER COMPOUNDS (EUROPE) LTD. (U.K.)	25.0	Sale and manufactre of compound of plastic raw materials	12
		Shanghai Baoling Plastics Co., Ltd. (China)	22.6	Manufacture of plastic products	12
		Shanghai Jinpu Plastic Packaging Material Co., Ltd. (China)	30.0	Manufacture of polypropylene films	12
		Tetra Chemicals (Singapore) Pte. Ltd. (Singapore)	40.0	Sale and manufacture of MTBE (Methyl t-Butyl Ether)	12
		SUMIPEX (THAILAND) CO., LTD. (Thailand)	49.0	Manufacture of PMMA sheet	12
		BRUNEI METHANOL COMPANY SDN. BHD. (Brunei)	25.0	Manufacture of methanol in Brunei	12

Note: □ Newly consolidated subsidiaries in the fiscal year ended March 2008

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Food Company					
Subsidiaries	Domestic	ITOCHU Feed Mills Co., Ltd.	85.9	Manufacture and wholesale of compound feeds	3
		ITOCHU Rice Corporation	89.6	Wholesale of rice	3
		ITOCHU Sugar Co., Ltd.	100.0	Manufacture and processing of sugar and by-products	3
		I-FOODS Co., Ltd.	100.0	Import and wholesale of food materials	3
		ITOCHU FRESH Corporation	100.0	Processing and wholesale of perishables	3
		Universal Food Co., Ltd.	98.0	Planning supply-chain management in food service business	3
		ITOCHU SHOKUHIN Co., Ltd.	51.7	Wholesale and distribution of foods	9
		Yayoi Foods Co., Ltd.	93.2	Manufacture of frozen prepared foods	3
		Family Corporation Inc.	100.0	Logistics services of frozen, chilled, and dry foods and sundries for convenience store chain, retailers, and food service business	3
		NIPPON ACCESS, INC.	69.8	Wholesale and distribution of foods	3
	Overseas	OILSEEDS INTERNATIONAL LTD. (U.S.A.)	100.0	Safflower oil manufacture	7
Associates	Domestic	Fuji Oil Co., Ltd.	25.5	Integrated manufacturer of cooking oil and soybean protein	3
		Japan Foods Co., Ltd.	34.8	Production of soft drinks	3
		AI Beverage Holding Co. Ltd.	20.0	Holding company of Chinese soft drink manufacturers	12
		Kumejima Sugar Co., Ltd.	34.8	Production and sales of raw sugar	6
		Prima Meat Packers, Ltd.	39.7	Production and marketing of meat, ham, sausage and processed foods	3
		Yoshinoya Holdings Co., Ltd.*	21.0	Operation of Gyu-don store chain and other new business	2
		KI Fresh Access, Inc.	33.0	Distributor of fruits and vigetables	3
		FamilyMart Co., Ltd.	31.5	Operation of a convenience store chain, using the name FamilyMart and a franchise system	2
		SHOW-WA Co., Ltd.	20.0	Wholesale of foods	3
	Overseas	PALMAJU EDIBLE OIL SDN. BHD. (Malaysia)	30.0	Refining of palm oil	12
		CGB ENTERPRISES, INC. (U.S.A.)	50.0	Handling of grain and operation of barges	5
		ASAHI BREWERIES ITOCHU (HOLDINGS) LIMITED (Hong Kong S.A.R., China)	40.0	Holding company of Chinese beer manufacturers	12
		P.T. ANEKA TUNA INDONESIA (Indonesia)	47.0	Production and marketing of canned tuna	12
		WINNER FOOD PRODUCTS LTD. (Hong Kong S.A.R., China)	26.0	Manufacture and wholesale of processed foods	12
		TAIWAN DISTRIBUTION CENTER CO., LTD. (Taiwan)	39.4	Wholesale of foods and sundries	12

* Became holding company on October 1, 2007, formerly Yoshinoya D & C Co., Ltd.

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Finance, Realty, Insurance & Logistics Services Company					
Subsidiaries	Domestic	ITOCHU Finance Corporation	99.1	Loan and other finance-related business	3
		ITOCHU Capital Securities, Ltd.	100.0	Structuring and distribution of fund of funds and other investment products	3
		FX PRIME Corporation	81.5	Online foreign exchange brokerage	3
		ITOCHU Property Development, Ltd.	100.0	Development and sale of housing (apartments, condominiums, and homes)	3
		ITOCHU Housing Co., Ltd.	100.0	Real estate agent and property consultant	3
		CENTURY 21 REAL ESTATE OF JAPAN LTD.	55.3	Headquarters of real estate franchise system	3
		ITOCHU Urban Community Ltd.	100.0	Operation and management of real estate property	3
		ITOPIA Home Co., Ltd.	100.0	Planning and construction of homes	3
		ITOCHU Orico Insurance Services Co., Ltd.	65.0	Insurance agency	3
		I&T Risk Solutions Co.,Ltd.	62.8	Insurance broking services and risk consulting	3
		Naigai Travel Service Co., Ltd.	97.2	Travel agency	3
		AD Investment Management Co., Ltd.	62.0	Asset management company of Advance Residence Investment Corporation	3
	Overseas	ITOCHU Finance (Europe) PLC (U.K.)	100.0	Proprietary financial investment and development of new financial business in Europe	2
		ITOCHU Finance (Asia) LTD. (Hong Kong S.A.R., China)	100.0	Proprietary financial investment and development of new financial business in Asia	2
		ITOCHU Financial Services, Inc. (U.S.A.)	100.0	Proprietary financial investment and development of new financial business in North America	12
		COSMOS SERVICES CO., LTD. (Hong Kong S.A.R., China)	100.0	Consulting and broking of insurance and reinsurance	3
		COSMOS SERVICES (AMERICA) INC. (U.S.A.)	100.0	Consulting and broking of insurance	12
		EURASIA SPED Kft. (Hungary)	59.8	Transportation and warehousing	12
	■	Beijing Pacific Logistics Co., ltd. (China)	50.0	Logistics business in China	12
		Guangzhou Global Logistics Corp. (China)	57.7	Warehousing and trucking	12

Note: ■ Subsidiary changed from associates in the fiscal year ended March 2008

		Name	Voting Shares (%)	Operations	Fiscal Year-End Month
Associates	Domestic	CENTRAL ENGINEERING & CONSTRUCTION Co., Ltd.	50.0	Engineering and ventilation construction	3
		MINAMI AOYAMA Apartment Co., Ltd.	27.8	Leasing and operation of rental residences	3
		Famima Credit Corporation	32.5	Credit card business for FamilyMart convenience store chain	2
		POCKETCARD Co., Ltd.	23.4	Credit card business	2
		Orient Corporation	32.1	Consumer credit	3
		Superex Corporation	21.9	Logistics center	3
		eGuarantee, Inc.	31.7	Integrated payment solutions through the eGuarantee for B2B marketplaces and financing providers	3
		i-LOGISTICS CORP.	49.4	Comprehensive logistics services	3
	Overseas	P.T. MALIGI PERMATA INDUSTRIAL ESTATE (Indonesia)	50.0	Development, sale, and management of industrial parks	12
		SIAM COSMOS SERVICES CO., LTD. (Thailand)	47.0	Consulting and broking of insurance	12
	□	VIETNAM HI-TECH TRANSPORTATION CO., LTD. (Vietnam)	20.0	Port operation and inland transportation in Vietnam	12
		TING TONG (CAYMAN ISLANDS) HOLDING CORPORATION (Cayman Islands, British West Indies)	50.0	Management of logistics in China	12

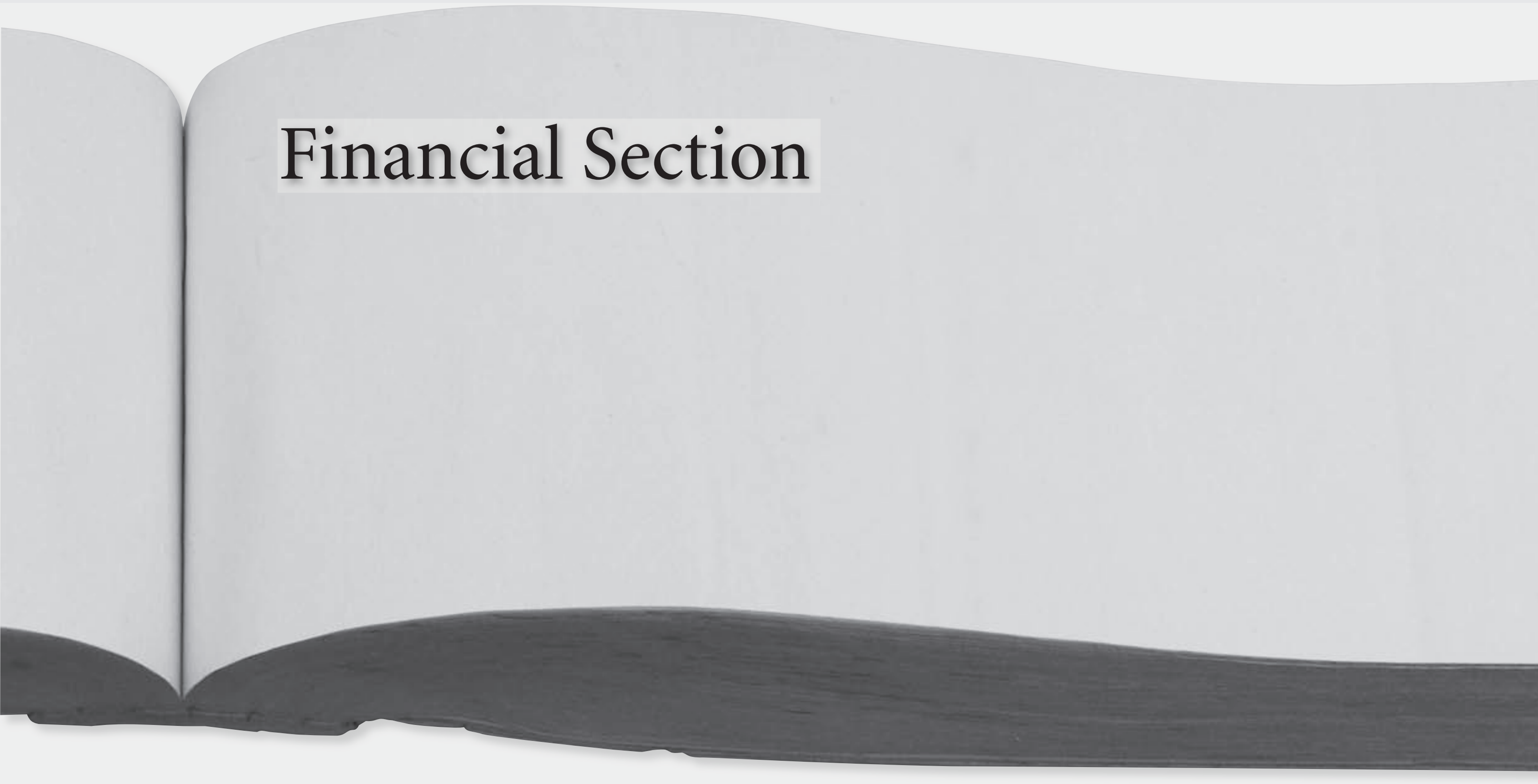
Headquarters, Division Companies Operations

Century Medical, Inc.	100.0	Wholesale of medical equipment and materials	3

Headquarters, Overseas Trading Subsidiaries and their Subsidiaries

ITOCHU International Inc. (U.S.A.)	100.0	Wholesale and investment	12
Telerent Leasing Corporation (U.S.A.)	100.0	Distribution and lease of televisions to hotels and hospitals	12
Master-Halco, Inc. (U.S.A.)	100.0	Manufacture and distribution of fence materials and security products	12
Enprotech Corp. (U.S.A.)	100.0	Maintenance and repair of industrial machinery in automotive, steel, and bottling industries	12
ITOCHU Europe PLC. (U.K.)	100.0	Wholesale and investment	12
ITOCHU Singapore Pte, Ltd. (Singapore)	100.0	Wholesale and investment	3
ITOCHU Korea LTD. (Korea)	100.0	Wholesale and investment	12
ITOCHU (THAILAND) LTD. (Thailand)	100.0	Wholesale and investment	3
ITOCHU Hong Kong Ltd. (Hong Kong S.A.R., China)	100.0	Wholesale and investment	3
ITOCHU Latin America S.A. (Panama)	100.0	Wholesale and investment	12
ITOCHU Chile S.A. (Chile)	100.0	Wholesale and investment	12
ITOCHU BRASIL S.A. (Brazil)	100.0	Wholesale and investment	12
ITOCHU MIDDLE EAST FZE (U.A.E.)	100.0	Wholesale and investment	3
ITOCHU Australia Ltd. (Australia)	100.0	Wholesale and investment	3
ITOCHU (China) Holding Co., Ltd. (China)	100.0	Wholesale and investment	12
ITOCHU TAIWAN CORPORATION (Taiwan)	100.0	Wholesale and investment	3

Note: □ Newly consolidated subsidiary in the fiscal year ended March 2008



Financial Section

Six-Year Summary

ITOCHU Corporation and Subsidiaries
Years ended March 31

	Millions of Yen						Millions of U.S. Dollars (Note 5)
Years ended March 31	**2008**	2007	2006	2005	2004	2003	**2008**
P/L (For the year):							
Revenue	**¥2,861,210**	¥2,647,202	¥2,218,221	¥1,991,238	¥1,738,747	¥1,681,718	**$28,558**
Gross trading profit	**995,904**	908,676	714,374	630,761	555,895	564,967	**9,940**
Net income (loss)	**218,585**	177,059	145,146	77,792	(31,944)	20,078	**2,182**
Per share (Yen and U.S. Dollars):							
Net income (loss) (Note 1)	**138.27**	¥111.95	¥ 91.74	¥ 49.16	¥ (20.20)	¥ 13.12	**$1.38**
Cash dividends	**18**	14	9	7	—	5	**0.18**
Stockholders' equity (Note 1)	**619.01**	566.78	459.47	322.54	267.25	269.53	**6.18**
Total trading transactions (Note 2)	**¥12,412,456**	¥11,579,059	¥10,473,885	¥9,576,039	¥9,516,967	¥10,446,371	**$123,889**
Adjusted profit (Note 3)	**335,030**	241,931	252,038	188,807	100,676	114,454	**3,344**
B/S (At year-end):							
Total assets	**¥5,255,420**	¥5,271,512	¥4,797,013	¥4,472,345	¥4,487,282	¥4,486,405	**$52,455**
Short-term interest-bearing debt	**383,463**	518,040	555,531	676,870	885,253	990,939	**3,828**
Long-term interest-bearing debt	**1,720,939**	1,647,589	1,670,937	1,669,834	1,676,657	1,583,481	**17,176**
Interest-bearing debt	**2,104,402**	2,165,629	2,226,468	2,346,704	2,561,910	2,574,420	**21,004**
Net interest-bearing debt	**1,654,532**	1,630,928	1,724,314	1,891,086	1,977,048	2,025,048	**16,513**
Long-term debt, excluding current maturities (including long-term interest-bearing debt)	**1,895,088**	1,795,333	1,762,103	1,750,815	1,757,313	1,637,916	**18,915**
Stockholders' equity	**978,471**	896,195	726,816	510,397	422,866	426,220	**9,766**
Cash flows:							
Cash flows from operating activities	**¥ 65,552**	¥ 235,917	¥185,147	¥ 126,624	¥184,780	¥ 168,843	**$ 654**
Cash flows from investing activities	**(65,774)**	(83,394)	(79,871)	(127,600)	(55,300)	5,253	**(656)**
Cash flows from financing activities	**(81,294)**	(100,920)	(85,193)	(125,342)	(79,695)	(114,041)	**(811)**
Cash and cash equivalents at end of year	**446,311**	532,856	477,707	452,934	579,565	534,156	**4,455**
Ratios:							
Gross trading profit ratio (%) (Note 4)	**8.0**	7.8	6.8	6.6	5.8	5.4	
ROA (%)	**4.2**	3.5	3.1	1.7	—	0.4	
ROE (%)	**23.3**	21.8	23.5	16.7	—	4.9	
Ratio of stockholders' equity to total assets (%)	**18.6**	17.0	15.2	11.4	9.4	9.5	
Net debt-to-equity ratio (times)	**1.7**	1.8	2.4	3.7	4.7	4.8	
Interest coverage (times)	**6.2**	6.7	5.7	5.7	2.7	2.7	
Common stock information:							
Stock price (Yen and U.S. Dollars):							
Opening price	**¥1,174**	¥1,014	¥ 541	¥466	¥287	¥425	**$11.72**
High	**1,591**	1,223	1,056	573	480	506	**15.88**
Low	**804**	837	484	403	231	198	**8.02**
Closing price	**984**	1,168	1,011	540	468	288	**9.82**
Market capitalization (Yen and U.S. Dollars in billions)	**1,560**	1,851	1,602	856	742	456	**15.57**
Trading volume (yearly, million shares)	**2,928**	1,969	1,580	1,533	1,304	1,221	
Number of shares of common stock issued (at year-end, 1,000 shares)	**1,584,890**	1,584,890	1,584,890	1,584,890	1,584,890	1,583,488	
Exchange rates into U.S. currency (Federal Reserve Bank of New York):							
At year-end	**¥ 99.85**	¥117.56	¥117.48	¥107.22	¥104.18	¥118.07	
Average for the year	**113.61**	116.55	113.67	107.28	112.75	121.10	
Range:							
Low	**124.09**	121.81	120.93	114.30	120.55	133.40	
High	**96.88**	110.07	104.41	102.26	104.18	115.71	
Number of employees (At year-end, consolidated)	**48,657**	45,690	42,967	40,890	40,737	39,109	

Note:
1. "Net income (loss) per share" and "Stockholders' equity per share" are calculated by using the number of shares issued and outstanding.
2. "Total trading transactions" is presented in accordance with Japanese accounting practice and is not meant to present sales or revenue in accordance with U.S. GAAP.
3. Adjusted profit = Gross trading profit + Selling, general and administrative expenses + Net financial expenses + Equity in earnings of associated companies
4. "Gross trading profit ratio" is the percentage of "Gross trading profit" to "Total trading transactions."
5. The Japanese yen amounts for the year ended March 31, 2008 have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥100.19=U.S.$1 (the official rate dated March 31, 2008 announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.).

Management's Discussion and Analysis of Financial Condition and Results of Operations

All of the financial information provided herein is based on the consolidated financial statements included in this annual report. These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Figures in yen for the fiscal year ended March 31, 2008 ("Fiscal 2008" or "the fiscal year"), have been translated into U.S. dollars solely for the convenience of the reader based on the exchange rate of ¥100.19 = US$1, announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd., on March 31, 2008.

OVERVIEW

As for the world economic environment during Fiscal 2008, growth tempo has gradually diminished along with more and more serious subprime loan problems originally occurred in U.S. since last summer. Growth rate, especially in U.S., has been slowed down due to the negative influence over the entire economies resulting from ever higher prices of raw materials under the even more serious recessions in housing business. European economy has experienced worsened economic expectation despite, by and large, continuous expansion in individual consumption and capital investment.

On the other hand, Chinese economy has kept its high growth supported by strong export and capital investment. Resource-supplying countries have also enjoyed good performance led by affluent foreign currency earnings. Prices of primary commodities have kept on rising, up to over 100 dollars per barrel for crude oil, due to tight market resulting from increased demand from China and other countries as well as inflow of speculative money into commodity markets.

Japanese economy has slowed down due to the drastic fall in the number of new house building starts resulting from revised Building Standards Law and due to slowdown of capital investment along with sluggish corporate earnings, in spite of strong export especially for developing countries. Nikkei Stock Average has been on the decline since last summer, going down to the 12,000-yen level at the end of this fiscal year due to the impact of worldwide dropping stock prices. Regarding foreign exchange market, yen has been going up to around 100-yen under U.S. dollar falling across the globe resulting from lowered interest rate in U.S.

ITOCHU has set out on the new two years mid-term management plan, "Frontier+ 2008—Enhancing Corporate Value on the World Stage—" since Fiscal 2008. In "Frontier+ 2008," ITOCHU has worked based on its basic policy of aiming to become "a Global Enterprise, highly attractive to all stakeholders" while striving to be more aggressive.

The following are some of the achievements accomplished in Fiscal 2008:

Consumer and Retail related area:

In Textile, ITOCHU, as an engaged in a new business, participated in investment in a TV shopping provider, PRIME NETWORK INC., aiming at establishing one of the sales channels and creating a synergy throughout the Group. In high-technology area, business using SHUHOU's curved surface printing technology has got on track with successful expansion. In addition, brand businesses such as Paul Smith and LeSportsac which have been large M&A projects since fiscal 2005 have grown to be major source of ITOCHU's revenue. LeSportsac has accelerated its overseas operations especially in China.

In Food, the merger between NIPPON ACCESS INC., which was turned into a subsidiary in the previous fiscal year, and another subsidiary, NISHINO TRADING CO. Ltd. has established one of the top class nation-wide distribution networks covering all ranges of temperature. For overseas activities, in cooperation with an associated company, Prima Meat Packers, Ltd., ITOCHU has built in Thailand one of the largest food processing factories in Asia to secure food resources and to prevent the risk arising from the concentration of production area.

Natural Resource related area:

ITOCHU has decided on prior investment in iron-ore development in west Australia for enhancing supply capacity. Also, in the Gulf of Mexico, one of the Group companies, CIECO Energy (US) Limited has acquired interests of crude oil and natural gas from Range Resources Corporation and has agreed with Callon Petroleum Company to acquire interests of Entrada oil and gas field. In Trading area, in order to strengthen recycling business and to promote further business expansion in non-ferrous metal materials transactions, ITOCHU Non-Ferrous Materials Co., Ltd. has succeeded to the metal material business and changed its name into ITOCHU Metals Corporation.

In Energy related area, ITOCHU has decided to centralize petroleum product businesses such as domestic sales of kerosene and light oil etc., import and export of marine fuel transactions, which are currently distributed among individual Group companies, in ITOCHU ENEX CO., Ltd. in this October. By this centralization, ITOCHU will strengthen the domestic business and accelerate overseas operations.

Other areas:

In Machinery, a North American subsidiary Tyr Energy, Inc. purchased the entire interests of Chesapeake Power Station in Virginia. Also, in March 2008, ITOCHU concluded a joint-venture contract with SUZUKI MOTOR CORPORATION to take a stake in a local distributor of Suzuki 4-wheel vehicles, SUZUKI MALAYSIA AUTOMOBILE Sdn. Bhd. In Chemical area, ITOCHU has concluded a comprehensive partnership in plastic film business by investing in Narendra Plastic Pvt. Ltd., a leading manufacturer of plastic films in India, to enter Indian market showing expansion in this business area. In Mobile business, ITC NETWORKS CORPORATION merged Idomco Communications Co., Ltd. to enhance businesses mainly in corporate user division.

As part of the prioritized area for new business ventures, "L-I-N-E-s" (See Note 1):
In Environment and New Energy area, ITOCHU has promoted business engagement in photovoltaic by acquiring Solar Depot, LLC, which has one of the largest shares in selling solar power systems for residential use, and by increasing a stake in a Norwegian silicon wafer manufacturer, NorSun AS which ITOCHU started participation in their management.

For human resources strategy with global perspective;
ITOCHU has set up Global Human Resource Development Centers in North America, Europe, Asia and China with its headquarters in Tokyo with a view to "seeking, fostering and utilizing the talents of personnel worldwide," so as to foster and identify human resources at global level.

(Note 1) "L-I-N-E-s" refers to the following four business areas plus "s" for synergy meaning cross-sectional business engagement: Life care (medical services and health related businesses), Infrastructure (functional infrastructure of IT, LT, and FT, and social infrastructure related businesses), New Technologies & Materials (bio- and nano- technologies), and Environment & New Energy (bioethanol and photovoltaic generation).

BUSINESS RESULTS FOR FISCAL 2008—COMPARISON BETWEEN FISCAL 2008 AND FISCAL 2007

(All comparisons are with the previous fiscal year unless otherwise stated.)

Revenue (the total of "Sales revenue" and "Trading margins and commissions on trading transactions") increased by 8.1% or ¥214.0 billion to ¥2,861.2 billion ($28,558 million) compared with the previous fiscal year, because of rising of price and increasing transaction volume in crude oil brought by expansion of production in the oil fields owned, transaction increase in automobile business to emerging countries as well as an increase through turning NIPPON ACCESS, INC. into a consolidated subsidiary [Consolidation of profit & loss of NIPPON ACCESS, INC. started from the 2nd quarter of the previous fiscal year].

Gross trading profit increased by 9.6% or ¥87.2 billion to ¥995.9 billion ($9,940 million) compared with the previous fiscal year, due to rising of price and an increase in crude oil transaction volume following expansion of production in the oil fields owned, an increase in automobile business mainly to emerging countries, and an increase impact coming from turning NIPPON ACCESS, INC. into a consolidated subsidiary, despite a decrease in housing materials transactions caused by slowdown of demands of houses in North America and in Japan.

Selling, general and administrative expenses, with increase accompanied by the expansion of business and turning NIPPON ACCESS, INC. into a consolidated subsidiary, increased by 13.2% or ¥84.3 billion to ¥723.4 billion ($7,220 million) compared with the previous fiscal year.

Provision for doubtful receivables increased by 21.1% or ¥1.0 billion to ¥6.0 billion ($60 million) compared with the previous fiscal year.

Net interest expenses, interest expense net of interest income, worsened by 10.1% or ¥2.9 billion to ¥32.2 billion ($321million) due to higher interest rate.

Dividends received increased by 12.9% or ¥2.8 billion to ¥24.4 billion ($244 million), mainly because of an increase in dividends from LNG-related investments. As a result, net financial expenses, total of net interest expenses and dividends received, worsened by 2.0% or ¥0.2 billion to ¥7.7 billion ($77 million) compared with the previous fiscal year.

Gain on disposal of investments and marketable securities, net of write-down decreased by ¥30.5 billion to gain of ¥16.4 billion ($164 million) mainly due to the increase in devaluation losses on investment securities and the decrease of gain on disposal of investment securities accompanied by stock price fall.

Gain (Loss) on property and equipment–net improved by ¥13.5 billion to gain of ¥6.7 billion ($67 million) mainly because of gain on disposal of coal mining interests and office buildings.

Other–net decreased by ¥2.3 billion to gain of ¥0.8 billion ($8 million) led by foreign currency exchange losses along with appreciated yen rate.

As a result, **Income before income taxes, minority interests and equity in earnings (losses) of associated companies** decreased by 5.8% or ¥17.5 billion to ¥282.7 billion ($2,822 million) compared with the previous fiscal year.

Income taxes increased 37.2% or ¥33.1 billion to ¥122.0 billion ($1,218 million) compared with the previous fiscal year, mainly due to effect of deferred income taxes related with equity in investment in Orient Corporation (hereinafter "Orico") [see (Note 2) below], despite a decrease along with decreased Income before income taxes, minority interests and equity in earnings (losses) of associated companies.

Minority interests decreased 12.8% or ¥1.8 billion to loss of ¥12.4 billion ($123 million) compared with the previous fiscal year.

Equity in earnings (losses) of associated companies improved by ¥90.3 billion to gain of ¥70.2 billion ($701 million) compared with the previous fiscal year mainly due to change of gain/loss in investment in Orico [see (Note 2) below].

As a result, **Net income** increased by 23.5% or ¥41.5 billion to $218.6 billion ($2,182 million) compared with the previous fiscal year.

Total trading transactions based on Japanese accounting practices increased by 7.2% or ¥833.4 billion to ¥12,412.5 billion ($123,889 million) compared with the previous fiscal year, mainly due to oil price rise and transaction volume increase in crude oil accompanied by expansion of production in the oil fields owned, plus an increase coming from turning NIPPON ACCESS, INC. into a consolidated subsidiary.

(Note 2) Impact of the special factors regarding the investment in Orico on "Equity in earnings (losses) of associated companies," "Income taxes" and Net income:
The following loss/gain is included in the consolidated result of Fiscal 2007 and 2008, related to the investment in Orico.

FY 2007: Equity in losses (loss of ¥68.6 billion) and its tax effect (gain of ¥28.1 billion) caused by the extraordinary loss in Orico due to revision of Moneylending Control Law in Japan.
[Impact on Net income: loss of ¥40.6 billion]

FY 2008: 1) Equity in earnings (gain of ¥52.2 billion) and its tax effect (loss of ¥21.4 billion) recognized regarding exemption from obligation to redeem preferred stocks, which was brought by the reverse split of the preferred stocks in Orico.
2) Devaluation loss of ¥26.2 billion and its tax effect (gain of ¥10.7 billion) related to Orico common stocks held.
[Impact on Net income: gain of ¥15.4 billion]

Due to above accounting procedure related to the investment in Orico, the overall impact is increases of ¥94.7 billion on Equity in earnings (losses) of associated companies, ¥38.7 billion on Income taxes, and ¥55.9 billion on Net income compared with the previous fiscal year.

Consolidated Statements of Operations

	Billions of Yen			Millions of U.S. Dollars
Years ended March 31	2008	2007	Increase (Decrease)	2008
Revenue	¥ 2,861.2	¥ 2,647.2	¥ 214.0	$ 28,558
Cost of sales	(1,865.3)	(1,738.5)	(126.8)	(18,618)
Gross trading profit	995.9	908.7	87.2	9,940
Selling, general and administrative expenses	(723.4)	(639.1)	(84.3)	(7,220)
Provision for doubtful receivables	(6.0)	(4.9)	(1.0)	(60)
Interest income	17.8	16.1	1.7	178
Interest expense	(50.0)	(45.3)	(4.7)	(499)
Dividends received	24.4	21.7	2.8	244
Gain (loss) on disposal of investments and marketable securities, net of write-down	16.4	46.9	(30.5)	164
Loss on property and equipment–net	6.7	(6.8)	13.5	67
Other–net	0.8	3.1	(2.3)	8
Income before income taxes, minority interests, equity in earnings (losses) of associated companies and cumulative effect of an accounting change	282.7	300.2	(17.5)	2,822
Income taxes	122.0	88.9	(33.1)	1,218
Income before minority interests, equity in earnings (losses) of associated companies and cumulative effect of an accounting change	160.7	211.3	(50.6)	1,604
Minority interests	(12.4)	(14.2)	1.8	(123)
Equity in earnings (losses) of associated companies	70.2	(20.1)	90.3	701
Net income	¥ 218.6	¥ 177.1	¥ 41.5	$ 2,182

Operating Segment Information

Years ended March 31	Billions of Yen 2008	2007	2006	Millions of U.S. Dollars 2008
Trading transactions:				
Textile	¥ 690.7	¥ 806.5	¥ 824.3	$ 6,894
Machinery	1,432.3	1,588.8	1,439.5	14,296
Aerospace, Electronics & Multimedia	722.6	696.7	699.5	7,212
Energy, Metals & Minerals	3,829.1	3,020.0	2,876.2	38,218
Chemicals, Forest Products & General Merchandise	2,289.5	2,157.2	1,967.3	22,852
Food	3,036.8	2,828.9	2,150.0	30,311
Finance, Realty, Insurance & Logistics Services	182.1	221.7	232.8	1,817
Other, Adjustments & Eliminations	229.3	259.3	284.3	2,289
Total	¥12,412.5	¥11,579.1	¥10,473.9	$123,889
Gross trading profit:				
Textile	¥ 115.2	¥ 124.6	¥ 122.9	$ 1,150
Machinery	100.5	90.5	69.5	1,003
Aerospace, Electronics & Multimedia	139.0	133.5	116.4	1,387
Energy, Metals & Minerals	127.5	102.1	73.9	1,272
Chemicals, Forest Products & General Merchandise	122.6	126.2	111.1	1,224
Food	324.7	264.6	142.6	3,241
Finance, Realty, Insurance & Logistics Services	41.4	43.3	46.0	413
Other, Adjustments & Eliminations	25.1	23.9	32.0	250
Total	¥ 995.9	¥ 908.7	¥ 714.4	$ 9,940
Net income (loss):				
Textile	¥ 20.5	¥ 17.1	¥ 15.0	$ 205
Machinery	22.6	21.1	13.7	226
Aerospace, Electronics & Multimedia	14.6	11.2	17.2	146
Energy, Metals & Minerals	105.7	80.7	58.0	1,055
Chemicals, Forest Products & General Merchandise	19.7	24.8	18.6	196
Food	18.7	18.1	19.4	186
Finance, Realty, Insurance & Logistics Services	10.8	(28.3)	9.9	108
Other, Adjustments & Eliminations	6.0	32.4	(6.6)	60
Total	¥ 218.6	¥ 177.1	¥ 145.1	$ 2,182
Identifiable assets at March 31:				
Textile	¥ 364.3	¥ 401.8	¥ 395.4	$ 3,637
Machinery	690.9	635.8	489.0	6,896
Aerospace, Electronics & Multimedia	513.9	551.2	524.7	5,129
Energy, Metals & Minerals	916.6	781.4	644.4	9,148
Chemicals, Forest Products & General Merchandise	766.8	716.8	634.3	7,654
Food	1,064.8	1,070.7	778.8	10,628
Finance, Realty, Insurance & Logistics Services	420.5	524.9	600.9	4,197
Other, Adjustments & Eliminations	517.6	588.9	729.5	5,166
Total	¥ 5,255.4	¥ 5,271.5	¥ 4,797.0	$ 52,455

OPERATING SEGMENT INFORMATION

Operating segment results are as follows. ITOCHU reports them according to its division company system.

Textile

Trading transactions (excluding inter-segment transactions; the same definition applies below) decreased by 14.4% or ¥115.8 billion to ¥690.7 billion (US$6,894 million), principally due to withdrawal from low-efficiency trading transactions and slowdown of apparel market demands. Gross trading profit decreased by 7.5% or ¥9.4 billion to ¥115.2 billion (US$1,150 million), which was mainly related to the effect of leaving of certain subsidiaries from group and recession in the apparel market. Net income increased by 19.8% or ¥3.4 billion to ¥20.5 billion (US$205 million), as a decrease in selling, general and administrative expenses caused by the leaving of some subsidiaries from group, and the recognition of gains on sales of investment securities absorbed the decline in gross trading profit. Identifiable assets decreased by 9.3% or ¥37.4 billion, compared with the previous fiscal year-end, to ¥364.3 billion (US$3,637 million), which was mostly attributable to the effect of leaving of certain subsidiaries from group and a reduction of trade receivables in parent company.

Machinery

Trading transactions decreased by 9.8% or ¥156.5 billion to ¥1,432.3 billion (US$14,296 million), principally because of less automobile trading transactions to North America despite increase of automobile transactions to emerging countries. Gross trading profit increased by 11.1%, or ¥10.0 billion to ¥100.5 billion (US$1,003 million), related to favorable trends in ship trading transactions and automobile trading transactions for emerging countries and construction machinery trading transactions. Net income grew by 7.1% or ¥1.5 billion to ¥22.6 billion (US$226 million), as higher gross trading profit and an increase in dividends received canceled the effect of gains on sales of investment securities recognized in the previous fiscal year. Identifiable assets increased by 8.7% or ¥55.2 billion, compared with the previous fiscal year-end, to ¥690.9 billion (US$6,896 million), attributable to increases in advances to suppliers related to ship business and trade receivables related to automobile trading transactions.

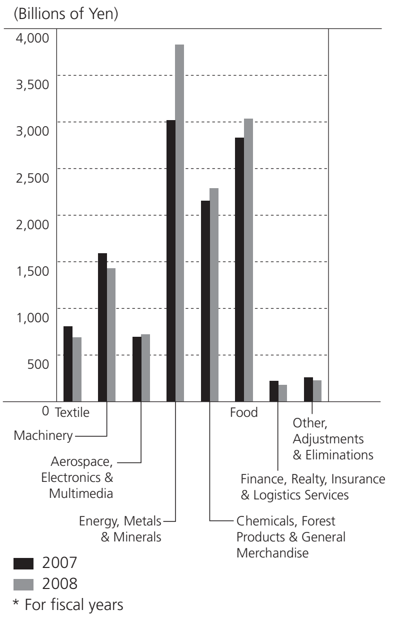
Aerospace, Electronics & Multimedia

Trading transactions rose by 3.7% or ¥25.9 billion to ¥722.6 billion (US$7,212 million), which was associated with the delivery of major aircraft-related projects. Gross trading profit rose by 4.1% or ¥5.4 billion to ¥139.0 billion (US$1,387 million), thanks to favorable performances by domestic sales operations for mobile phones and domestic operations involved in information technology. Net income increased by 30.2% or ¥3.4 billion to ¥14.6 billion (US$146 million), due to an increase in gain on disposal of investments and marketable securities, which offsets higher selling, general and administrative expenses. Identifiable assets declined by 6.8%, or ¥37.3 billion, compared with the previous fiscal year-end, to ¥513.9 billion (US$5,129 million), due mainly to decrease of advances to suppliers, resulting from the delivery of major aircraft-related projects, and the disposal of leased aircraft.

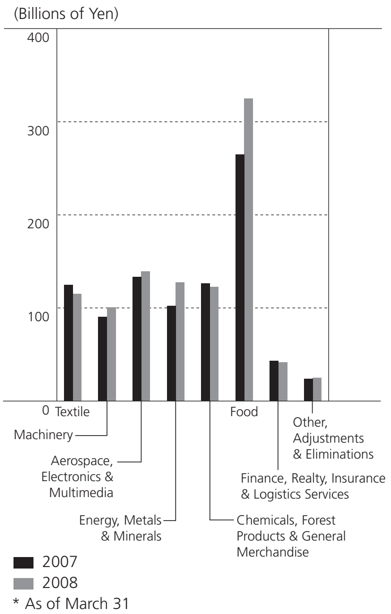
Energy, Metals & Minerals

Trading transactions increased by 26.8% or ¥809.1 billion to ¥3,829.1 billion (US$38,218 million), mostly because of an increase in natural resource prices and higher sales

Total Trading Transactions by Operating Segment



Gross Trading Profit by Operating Segment



volume due to the increased production of oil fields owned. Gross trading profit grew by 24.8% or ¥25.4 billion to ¥127.5 billion (US$1,272 million), which was primarily related to an increase in natural resource prices and higher sales volume due to the increased production of oil fields owned. Net income increased by 31.0% or ¥25.0 billion to ¥105.7 billion (US$1,055 million), largely as a result of the increase in gross trading profit and gain on the partial disposal of coal mining interests, counteracting loss on disposal of investments and marketable securities and equity in losses of associated companies. Identifiable assets increased 17.3% or ¥135.1 billion compared with the previous fiscal year-end, to ¥916.6 billion (US$9,148 million), as a consequence of increases in trade receivables and inventories and an increase in property and equipment in the energy-development sector.

Chemicals, Forest Products & General Merchandise

Trading transactions increased by 6.1% or ¥132.3 billion to ¥2,289.5 billion (US$22,852 million), due to an increase in chemical products prices, which offsets a decrease in revenues resulting from a fall-off in demand for house-building materials in North America and Japan. Gross trading profit declined by 2.8% or ¥3.5 billion to ¥122.6 billion (US$1,224 million), primarily because lower trading transactions for house-building materials associated with weaker demands for house-building materials in North America and Japan cancelled higher income resulting from an increase chemical products prices. Net income decreased by 20.6% or ¥5.1 billion to ¥19.7 billion (US$196 million), due to decreased gross trading profit and higher selling, general and administrative expenses. Identifiable assets increased by 7.0% or ¥50.0 billion compared with the previous fiscal year-end to ¥766.8 billion (US$7,654 million), as a result of an increase in trade receivables related to chemical products trading transactions.

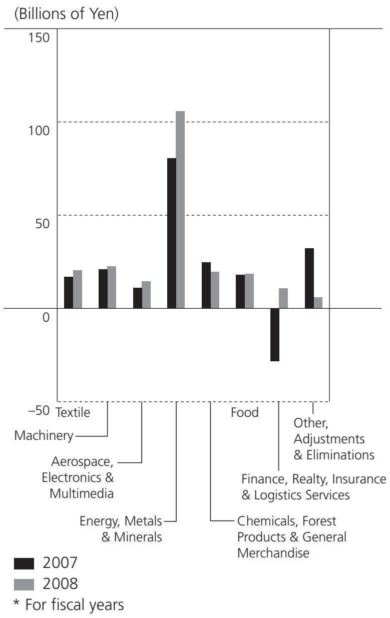
Food

Trading transactions increased by 7.4% or ¥208.0 billion, to ¥3,036.8 billion (US$30,311 million), as a consequence of the effect of turning NIPPON ACCESS, INC., into a consolidated subsidiary. Gross trading profit increased 22.7% or ¥60.0 billion to ¥324.7 billion (US$3,241 million), largely due to an increase income that resulted from turning NIPPON ACCESS, INC., into a consolidated subsidiary. Net income increased by 3.1% or ¥0.6 billion to ¥18.7 billion (US$186 million), principally because the increase in gross trading profit and an increase in gain on disposal of investments and marketable securities absorbed an increase in selling, general and administrative expenses accompanied by turning NIPPON ACCESS, INC. into a consolidated subsidiary and a decrease of equity in earnings of associated companies. Identifiable assets decreased by 0.6% or ¥5.9 billion compared with the previous fiscal year-end, to ¥1,064.8 billion (US$10,628 million), because of factors including a decrease in the trade receivables of food distribution businesses.

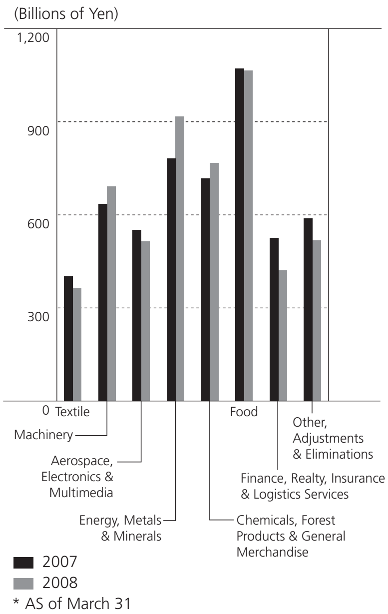
Finance, Realty, Insurance & Logistics Services

Trading transactions decreased by 17.9% or ¥39.7 billion to ¥182.1 billion (US$1,817 million), due to factors including the absence of realty-related spot transactions undertaken in the previous fiscal year. Gross trading profit declined by 4.4% or ¥1.9 billion to ¥41.4 billion (US$413 million), as a consequence of recognizing disposal loss and devaluation loss, which reflected a change in sales policy toward the whole-sale disposal of long-term realty development projects. Net income was ¥10.8 billion (US$108 million), compared with a net loss of ¥28.3 billion in the previous fiscal year, as a result of the abovementioned special factors related to investment in Orico, which offset lower gross trading profit and a decrease in gains on sales of investment securities. Identifiable assets decreased by

Net Income (Loss)
by Operating Segment



Identifiable Assets
by Operating Segment



19.9% or ¥104.4 billion, compared with the previous fiscal year-end, to ¥420.5 billion (US$4,197 million), mainly because a decrease in loan receivables related to finance transactions and the disposal of construction-related assets cancelled the effect of additional investment in Orico and an increase in equity in investment in associated companies.

Other, Adjustments & Eliminations

Trading transactions decreased by 11.6% or ¥30.0 billion to ¥229.3 billion (US$2,289 million). Gross trading profit increased by 5.2% or ¥1.2 billion to ¥25.1 billion (US$250 million). Net income decreased by 81.5% or ¥26.4 billion to ¥6.0 billion (US$60 million), as a result of factors including an increase in selling, general and administrative expenses, which related to improvement of internal control system as well as fund expenditure for developing overseas earnings, foreign currency exchange losses, and a decrease of gain (loss) on disposal of investments and marketable securities. Identifiable assets declined by 12.1% or ¥71.4 billion, compared with the previous fiscal year-end, to ¥517.6 billion (US$5,166 million), resulting from a decrease in cash and cash equivalents.

DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

A discussion and analysis of results of operations for Fiscal 2008 is as follows.

Descriptions of the outlook for Fiscal 2009 and later are forward-looking statements that are based on management's assumptions and beliefs, considering information currently available at the end of Fiscal 2008, and involve risks and uncertainties. Thus, factors that could cause actual results to differ materially from such statements include, without limitation, the factors in the following Risk Information and the other potential risk and uncertain factors.

ANALYSIS OF RESULTS OF OPERATIONS IN FISCAL 2008 AND OUTLOOK FOR FISCAL 2009

Revenue

In accordance with EITF 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," the Company and its subsidiaries present certain revenue transactions with corresponding cost of revenues on a gross basis in consolidated statements of operations for transactions traded as a primary obligor in manufacturing, processing, and service rendering and for sales with general inventory risk before customer orders. Otherwise, the Company and its subsidiaries present revenue on a net basis in consolidated statements of operations.

In the fiscal year, ended March 31, 2008, "Sales revenue" as gross basis was ¥2,233.5 billion (US$22,293 million), and "Trading margins and commissions on trading transactions" as a net basis was ¥627.7 billion (US$6,265 million). Total revenue increased by 8.1% or ¥214.0 billion to ¥2,861.2 billion (US$28,558 million). That increase was due to an increase in crude oil transactions accompanying higher crude oil prices and expansion of production in oil fields owned; an increase in automobile trading transactions to emerging countries; and an increase in revenue due to turning NIPPON ACCESS, INC. into a consolidated subsidiary [Consolidation of profit & loss accounts by consolidation method in NIPPON ACCESS, INC. started from the 2nd quarter of the previous fiscal year].

Gross Trading Profit

Gross trading profit increased by 9.6% or ¥87.2 billion to ¥995.9 billion (US$9,940 million). The effect from joining subsidiaries (including the inclusion of NIPPON ACCESS, INC., as a consolidated subsidiary) was ¥63.9 billion, and the effect of leaving of subsidiaries was ¥14.2 billion. The favorable effect of the yen's appreciation/depreciation against the U.S. dollar in translating overseas subsidiaries was an increase of ¥11.5 billion. Excluding those positive and negative factors, the substantial increase in profit for existing companies was ¥26.0 billion. Gross trading profit increased thanks to contributions from factors including an increase in crude oil transactions accompanying higher prices and expansion of production in oil fields owned; an increase in automobile trading transactions to emerging countries; and turning NIPPON ACCESS, INC. into a consolidated subsidiary, which offset a decrease in trading transactions for house-building materials that stemmed from weaker housing demands in North America and Japan.

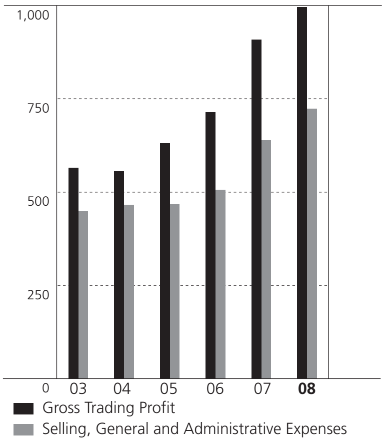
Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 13.2% or ¥84.3 billion to ¥723.4 billion (US$7,220 million). Selling, general and administrative expenses included increases of ¥22.0 billion in personnel expenses to ¥277.8 billion (US$2,773 million), and ¥48.2 billion in service charges included in distribution costs, to ¥240.3 billion (US$2,398 million). The effect of joining of subsidiaries (including the inclusion of NIPPON ACCESS, INC., as a consolidated subsidiary) was ¥63.5 billion, and the effect of leaving of subsidiaries was ¥12.8 billion. The negative effect of the yen's appreciation/depreciation against U.S. dollar in translating overseas subsidiaries was an increase of ¥5.0 billion. Excluding those positive and negative factors, the substantial increase in expenses was ¥28.6 billion.

Provision for Doubtful Receivables

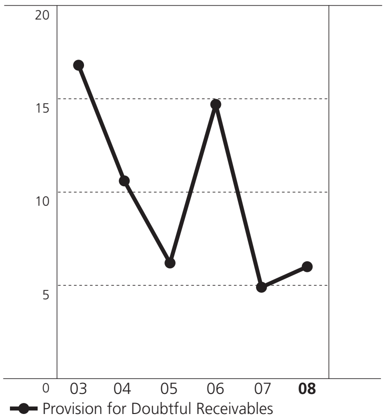
Provision for doubtful receivables increased by 21.1% or ¥1.0 billion to ¥6.0 billion (US$60 million), due to an increase in the finance-related operations of subsidiaries.

Gross Trading Profit; Selling, General and Administrative Expenses



* For fiscal years

Provision for Doubtful Receivables



* For fiscal years

Net Financial Expenses (Net of Interest Income, Interest Expense and Dividends Received)

Net financial expenses worsened by 2.0% or ¥0.2 billion to ¥7.7 billion (US$77 million). Net interest expenses, consisting of interest expense and interest income, deteriorated by 10.1% or ¥2.9 billion to ¥32.2 billion (US$321 million). Interest income increased by 10.6% or ¥1.7 billion, due to higher interest rates. However, interest expense increased by 10.3% to ¥4.7billion, mainly due to a rise in the average interest rate from 2.06% to 2.34%, reflecting higher interest rates, despite a reduction in interest-bearing debt (average debt outstanding decreased from ¥2,196.0 billion to ¥2,135.0 billion, down ¥61.0 billion).

Further, dividends received increased by 12.9% or ¥2.8 billion to ¥24.4 billion (US$244 million), because of increased dividends from LNG-related investments.

Other Profit

Gain on disposal of investments and marketable securities, net of write-down decreased by ¥30.5 billion, to ¥16.4 billion (US$164 million). Impairment losses on investment securities increased by ¥11.1 billion to ¥20.4 billion, and gains on sales of investment securities decreased by ¥19.4 billion to ¥36.8 billion.

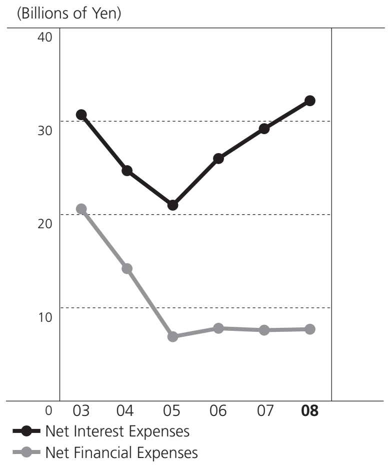
Gain (Loss) on property and equipment–net was gain of ¥6.7 billion (US$67 million), compared with loss of ¥6.8 billion in the previous fiscal year. Gain on the sale of property improved to ¥12.3 billion, compared with loss on the sale of property of ¥0.4 billion in the previous fiscal year, primarily associated with the disposal of owned office buildings and coal mining interests. Impairment loss on fixed assets improved by ¥0.8 billion to ¥5.6 billion.

Other profit declined by ¥2.3 billion to ¥0.8 billion (US$8 million), reflecting foreign currency exchange losses accompanied by appreciation of the yen.

Income Taxes

Income taxes increased by 37.2% or ¥33.1 billion to ¥122.0 billion (US$1,218 million). Special factors related to investment in Orient Corporation (Orico) (please see (Note 2) in "Business Results for Fiscal 2008—Comparison between Fiscal 2008 and Fiscal 2007") resulted in a ¥38.7 billion increase in income taxes, which offset a ¥7.2 billion decrease in income taxes accompanied by the decrease in income before income taxes, minority interests and equity in earnings of associated companies (decreased by ¥17.5 billion).

Net Financial Expenses



* For fiscal years

Net Interest Expenses = Interest Income + Interest Expense

Net Financial Expenses = Net Interest Expenses + Dividends Received

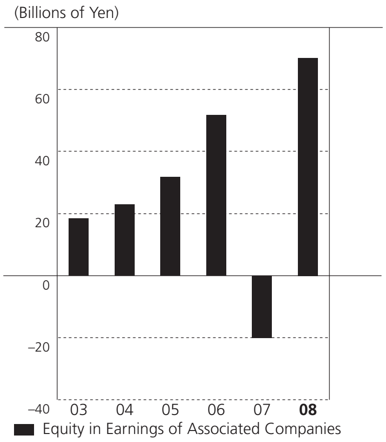
Equity in Earnings of Associated Companies

Equity in earnings of associated companies was ¥70.2 billion (US$701 million), compared with equity in losses of associated companies of ¥20.1 billion in the previous fiscal year. That improvement resulted from the favorable effect (¥94.7 billion) of special factors related to investment in Orico (please see (Note 2) in "Business Results for Fiscal 2008—Comparison between Fiscal 2008 and Fiscal 2007"). The business results of major equity-method associated companies are included in the following "Major Group Companies Reporting Profits and Major Group Companies Reporting Losses" in "Performance of Subsidiaries and Equity-Method Associated Companies."

Adjusted Profit

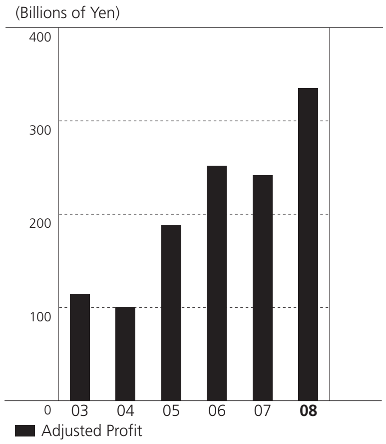
Adjusted profit (net of gross trading profit, selling, general and administrative expenses, net interest expenses, dividends received and equity in earnings (losses) of associated companies) increased by 38.5% or ¥93.1 billion to ¥335.0 billion (US$3,344 million), largely resulting from equity in earnings of associated companies, compared with equity in losses of associated companies in the previous fiscal year.

Equity in Earnings of Associated Companies



* For fiscal years

Adjusted Profit



* For fiscal years

PERFORMANCE OF SUBSIDIARIES AND EQUITY-METHOD ASSOCIATED COMPANIES

The consolidated business results for Fiscal 2008 included the business results of 626 companies, comprising 414 consolidated subsidiaries (191 domestic and 223 overseas) and 212 equity-method associate companies (94 domestic and 118 overseas).

Profits/Losses of Group Companies Reporting Profits/Losses

	Billions of Yen								
	2008			2007			Changes		
Years ended March 31	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable	Total
Group companies excluding overseas trading subsidiaries	(Note) **¥197.0**	**¥(36.1)**	**¥160.9**	¥159.2	(Note) ¥(57.5)	¥101.7	¥37.7	¥21.4	¥59.2
Overseas trading subsidiaries......	**23.6**	**(0.5)**	**23.1**	23.1	(0.3)	22.8	0.5	(0.2)	0.3
Total......................................	(Note) **¥220.6**	**¥(36.6)**	**¥184.0**	¥182.3	(Note) ¥(57.9)	¥124.5	¥38.2	¥21.3	¥59.5

Note: Includes tax effect regarding investment in Orient Corporation.

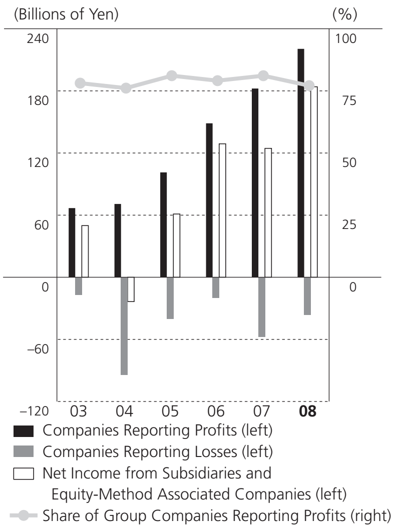
Share of Group Companies Reporting Profits

	2008			2007			Changes		
Years ended March 31	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
No. of companies reporting profits..........................	**226**	**269**	**495**	264	274	538	(38)	(5)	(43)
No. of group companies	**285**	**341**	**626**	314	337	651	(29)	4	(25)
Share...	**79.3%**	**78.9%**	**79.1%**	84.1%	81.3%	82.6%	(4.8)pts.	(2.4)pts.	(3.6)pts.

In Fiscal 2008, net income from subsidiaries and equity-method associated companies (aggregate profit /loss of subsidiaries and equity-method associated companies excluding overseas trading subsidiaries) increased by ¥59.2 billion to ¥160.9 billion, as a result of special factors related to investment in Orico (please see (Note 2) in "Business Results for Fiscal 2008—Comparison between Fiscal 2008 and Fiscal 2007").

Profits from overseas trading subsidiaries increased by ¥0.3 billion to ¥23.1 billion, due to increase of trading subsidiaries in Europe and China offset lower earnings in North America. The aggregate income from Group companies (subsidiaries, equity-method associated companies, and overseas trading subsidiaries) reporting profits increased by ¥38.2 billion to ¥220.6 billion, mainly due to an increase in equity in earnings of overseas natural resource development companies and the effect on the abovementioned special factors related to investment in Orico. Meanwhile, the aggregate loss from Group companies reporting losses improved by ¥21.3 billion to ¥36.6 billion, principally because of the effect on consolidated business results for the previous fiscal year of the abovementioned special factors related to investment in Orico, which cancelled the impairment of investment securities and bad debt loss in finance-related operating companies and realty-related companies' recognition of disposal losses and devaluation losses on real estate for sale. Further, the percentage of Group companies reporting profits (the number of Group companies reporting profits as a percentage of the number of companies included in consolidation) deteriorated by 3.6 points to 79.1%.

Net Income from Subsidiaries and Equity-Method Associated Companies



* For fiscal years

Major Group companies reporting profits or losses for the fiscal year and the previous fiscal year were as follows:

Major Group Companies Reporting Profits

Years ended March 31	Shares	Net Income (Loss) *1 Billions of Yen 2008	2007	Reasons for Changes
Domestic subsidiaries				
ITOCHU Petroleum Japan Ltd.	100.0%	**¥ 3.6**	¥ 5.1	Decrease due to absence of gains on disposal of investments and marketable securities in the previous fiscal year
ITOCHU PLASTICS INC.	100.0	**3.1**	3.2	Almost unchanged as a result of good performance in plastic materials sales offset by absence of gain on disposal of investments and marketable securities in the previous fiscal year
ITOCHU CHEMICAL FRONTIER Corporation	96.2	**1.8**	1.8	Good performance due to continued high prices in polymer materials
ITOCHU Non-Ferrous Materials Co., Ltd.*2	100.0	**1.4**	1.2	Increase due to gain on disposal of investments and marketable securities and increased dividends received despite impairment of marketable securities
Godo Kaisya Faburikusu	100.0	**1.1**	0.0	Increase due to gain on disposal of owned real estate
JOI'X CORPORATION	100.0	**0.9**	1.1	Decrease due to higher operating expenses from opening new shops despite increased sales of men's apparel
ITOCHU CONSTRUCTION MACHINERY CO., LTD.	100.0	**0.8**	0.7	Steady growth due to rental revenue increase
JAPAN AEROSPACE CORPORATION	100.0	**0.8**	0.6	Increase as a result of spot trading of hazardous material detectors
ITOCHU Automobile Corporation	100.0	**0.8**	0.7	Increase due to sales increase in parts and equipments
FX PRIME Corporation	81.5	**0.7**	0.1	Increase due to increased members and transaction volume
Overseas subsidiaries				
ITOCHU Minerals & Energy of Australia Pty Ltd*3	100.0	**38.5**	28.9	Increase due to increased shipping of iron ore and partial sales of coal mining interests
ITOCHU Oil Exploration (Azerbaijan) Inc.	100.0	**33.4**	21.2	Increase of sales volume accompanied by oil production volume increase in addition to higher prices of crude oil.
ITOCHU International Inc.*4	100.0	**10.2**	12.8	Decrease due to less net income related to businesses in materials for facilities and house building
PrimeSource Building Products, Inc.*4	100.0	**6.4**	7.4	Decrease due to the impact of decreased number of house building starts in U.S.
ITOCHU (China) Holding Co., Ltd.	100.0	**2.8**	2.3	Increase due to good performance in chemicals and non-ferrous products trading
ITOCHU Hong Kong Ltd.	100.0	**2.5**	2.5	Steady growth in financial businesses
ITOCHU Australia Ltd.*3	100.0	**1.9**	1.5	Increase due to increased net income related to natural resource development business
CIECO Energy (UK) Limited	100.0	**1.7**	1.6	Almost unchanged as a result of natural reduction in production and increased operation cost offset by higher oil price
ITOCHU Singapore Pte, Ltd.	100.0	**1.6**	1.0	Increase due to favorable transactions in cement and paper products
ITOCHU (THAILAND) LTD.	100.0	**1.2**	0.9	Increase due to good sales in aluminum parts and gain on disposal of investments and marketable securities
ITOCHU Europe PLC.*5	100.0	**1.2**	0.2	Increase due to chemical transactions as well as restored food transactions
Domestic equity-method associated companies				
Marubeni-Itochu Steel Inc.	50.0	**16.9**	16.8	Steady growth in transactions of automobiles, steel pipes, ship production, and construction machinery despite slump in building materials business in the U.S.
FamilyMart Co., Ltd.	31.0	**4.9**	4.7	Steady growth due to increased customers and increase in daily sales in existing stores
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	25.9	**1.7**	1.8	Decrease from the impact of higher Brazil Real despite higher market prices in pulp and increased trading profit from production increase
AI Beverage Holding Co., Ltd.	20.0	**1.7**	1.3	Favorable sales in tea drinks
Japan Ohanet Oil & Gas Co., Ltd.	35.0	**0.9**	0.9	Steady growth supported by stable production of natural gas

Major Group Companies Reporting Profits

Years ended March 31	Shares	Net Income (Loss) *1 Billions of Yen 2008	2007	Reasons for Changes
Domestic subsidiaries				
ITOCHU Finance Corporation	99.1%	**¥(7.0)**	¥ 2.3	Significant decrease due to absence of last year's gain on disposal of investments and marketable securities in addition to impairment on investment in associated companies and bad debt loss
ITOCHU Property Development, Ltd.	99.9	**(4.4)**	0.7	Worsened due to impairment/disposal loss recognized on real estate for sale in long-term development as a result of sales policy change for long-term development projects
I.C.S. Co., Ltd.	95.0	**(0.8)**	(0.3)	Worsened due to expenses from removal and renovation of some stores
Wellness Communications Corporation	100.0	**(0.3)**	(0.1)	Worsened resulting from shift to full-scale operation accompanied by preceding expenses
Overseas subsidiaries				
MCL Group Limited*5	100.0	**(2.6)**	(0.4)	Worsened due to impairment of goodwill
Am-Pac Tire Distributors, Inc.*4	100.0	**(1.6)**	0.0	Worsened due to impairment of goodwill
CIECO Energy (US) Limited	100.0	**(1.4)**	0.0	Deficit recorded due to loss from realized drilling cost
ITC VENTURES VIII, INC	98.1	**(0.6)**	(0.2)	Worsened fund management
CIPA LUMBER CO., LTD.	100.0	**(0.5)**	0.4	Worsened due to temporary loss from such as the impact of decreased house building starts in North America, devaluation loss on inventories and production halt resulting from strike
Domestic equity-method associated companies				
On Demand TV, Inc.*6	44.0	**(1.3)**	(1.8)	Decreased share of loss due to business transfer
CIECO E&P (Namibia) Co., Ltd.	26.7	**(1.0)**	—	Deficit recorded due to loss from realized drilling cost
Overseas equity-method associated companies				
P.T. PEMBANGUNAN DELTAMAS P.T. PURADELTA LESTARI	25.0	**(0.4)**	(0.2)	Worsened due to exchange loss of Indonesian Rupiah

*1 Net income (loss) figures are after adjusting to U.S. GAAP, which may be different from the figures that each company announces.
*2 ITOCHU Non-Ferrous Materials Co., Ltd., changed its name to ITOCHU Metals Corporation on April 1, 2008.
*3 The net income of ITOCHU Australia Ltd. includes 3.7% of that of ITOCHU Minerals & Energy Australia Pty Ltd.
*4 The net income of ITOCHU International Inc. includes 80.0% of that of PrimeSource Building Products Inc., and 40.0% of that of Am-Pac Tire Distributors Inc.
*5 The net income of ITOCHU Europe PLC. includes 8.6% of that of MCL Group Limited.
*6 On Demand TV, Inc left from group in the 4th quarter of fiscal 2008, 44.0% is share in the 3rd quarter of fiscal 2008.

OUTLOOK FOR FISCAL 2009

Viewing the business environment of Fiscal 2009, U.S. economy is expected to have prolonged business stagnation though some effect may be in sight from lowered short-term interest rate and tax reduction. Economies of Europe and emerging countries are also expected to slow down due to higher commodity prices and sluggish U.S. economy.

Regarding Japanese economy, low growth rate is expected to continue due to increase declining in export and capital investment while increase in personal consumption is anticipated led by restoration of housing investment and mild improvement for employment environment. Furthermore, sufficient attention may be required for a worldwide downturn of economy due to possibility of loss increase related to subprime loan.

Under these circumstances, It is likely that ITOCHU and its subsidiaries will increase year-on-year earnings and as overall, continue posting favorable consolidated business results, centered on Energy, Metals & Minerals.

MANAGEMENT POLICY FOR THE FUTURE

Further Advancement of Frontier+ 2008 mid-term management plan

In Fiscal 2009, the last year of mid-term management plan "Frontier+ 2008," ITOCHU has decided to add "implementation of the measures for becoming a truly global enterprise" to the basic policies introduced last year while continuing working on the basic policies, in order to strengthen the engagement in the plan.

Firstly, "Expansion of business areas and further strengthening of core businesses." ITOCHU takes actions to reinforce in "opening up new areas" and further promote "to accelerate overseas operations" for achieving sustainable high growth as Global Enterprise. Furthermore, in "strengthening core businesses," ITOCHU continues to prioritize growth rate and to promote strategic investments in profitable opportunities and sustainable growth.

Secondly, "Solid management." ITOCHU continues to improve its financial position and to proceed with better risk management. For enhancing the transparency of decision-making process and implementing more effective and efficient corporate governance with proper check and monitor system, ITOCHU makes every effort to manage the board of directors and to make appropriate decision-making conducted by them. For internal control, ITOCHU continues to carry out efficient improvement and management under the efficient management system. For penetration of the compliance program, ITOCHU ensures to improve it so as to grasp facing situation more precisely and to take the most appropriate measures. For CSR (Corporate Social Responsibility) activities, ITOCHU is engaged in enterprise-wide, cross-sectional efforts and expands such engagement to overseas and Group companies. Also, taking this year of ITOCHU's 150 years-anniversary since establishment as a good opportunity, ITOCHU boosts up contribution activities to society. In a work reformation project, "ITOCHU DNA Project," ITOCHU has been making process with more efficiency, and is planning to proceed forward to the next phase for completion of development of the most supportive program.

Thirdly, "Taking actions in human resources strategy with global perspective." In the previous fiscal year, ITOCHU created the human resource strategy with global perspective across the Group worldwide, and promoted variety of measures and modification of the personnel system for diversified and global talent with a view to "seeking, fostering and utilizing the talents of personnel worldwide." In Fiscal 2009, ITOCHU further promotes those measures as well as focuses on work-life balance to actualize this human resource strategy.

With all above mentioned, as a truly global enterprise, ITOCHU enhances corporate value to reward its stake holders and contributes to regional and global societies including proactive actions to global environmental issues.

DIVIDEND POLICY AND DISTRIBUTION OF THE CURRENT FISCAL YEAR'S PROFIT

ITOCHU maintains and reinforces its competitive power as well as increases stockholders' equity by retaining earnings to promote growth strategies. ITOCHU's basic policy regarding dividend payments is a consistent and stable distribution of returns to the stockholders considering its business performance.

Through "Frontier+ 2008," ITOCHU increases dividend amount gradually and aims to improve consolidated dividend payout ratio, while improving parent company's stockholders' equity.

At the moment, for Fiscal 2009, ITOCHU will plan full-year cash dividends of ¥21.0 per share, comprising interim cash dividends of ¥10.5 per share and year-end cash dividends of ¥10.5 per share.

LIQUIDITY AND CAPITAL RESOURCES

Basic Policy for Funding

ITOCHU aims to ensure flexibility in funding so that we can quickly respond to changes in financial circumstances, and take advantage of opportunities to lower our overall financing costs. ITOCHU also aims to diversify our funding sources and methods in order to enhance the stability of its financing, while endeavoring to find the optimum balance in its funding structure, including improvement in the long-term funding balance. Further, ITOCHU is working to improve consolidated capital efficiency and funding structure by concentrating funding on the parent company for domestic subsidiaries with the meaning of Group Finance from this fiscal year.

Regarding funding methods, ITOCHU flexibly uses such indirect financing as bank loans and such direct financing as bond issuance. As to indirect financing, ITOCHU maintains favorable and wide relationship with various financial institutions, which enables it to raise required funds. In direct financing, ITOCHU registered a new issuance of bonds up to ¥300.0 billion, covering the two-year period from August 2007 to July 2009 in accordance with the bond-issuance registration system in Japan. Also, in order to heighten capital efficient and lower capital costs, ITOCHU undertakes funding through commercial paper. ITOCHU Corporation, ITOCHU International Inc. in the United States, and ITOCHU FINANCE (Europe) PLC in the United Kingdom have registered a total of US$5.0 billion in a Euro Medium Term Note Programme (Euro MTN).

Regarding credit ratings, Standard & Poor's (S&P) raised our long-term rating from BBB to BBB+ in May 2007 and from BBB+ to A– in March 2008. Rating and Investment Information, Inc. (R&I) upgraded our long-term credit rating from A– to A in December 2007. ITOCHU believes these upgrades can contribute to a further improvement in our funding conditions. Aiming to secure even higher ratings, ITOCHU will continue concerted efforts to improve our financial position through high profitability and thorough risk management.

Ratings as of fiscal year-end were as follows.

Credit Rating Agency	Long-term Debt	Short-term Debt
Japan Credit Rating Agency (JCR)	A+ / Stable	J-1
Rating & Investment Information (R&I)	A / Stable	a-1
Moody's Investors Service	Baa1 / Stable	P-2
Standard & Poor's (S&P)	A– / Stable	A-2

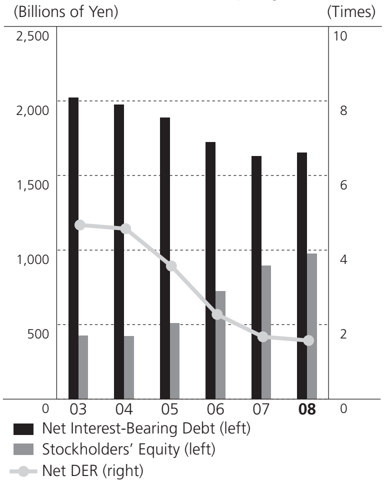
Interest-Bearing Debt

Interest-bearing debt as of March 31, 2008, decreased by ¥61.2 billion to ¥2,104.4 billion (US$21,004 million), compared with the previous fiscal year-end. The net DER (debt-to-equity ratio) improved by 0.1 point to 1.7 times from 1.8 times compared with the previous fiscal year-end. Further, the ratio of long-term interest-bearing debt to total interest-bearing debt significantly increased from 76% to 82% compared with the previous fiscal year-end as a result of improving financial structure due to repaying subsidiaries' external short-term interest-bearing debt and shifting to Group Financing.

Details of interest-bearing debt as of March 31, 2007 and as of March 31, 2008 were as follows:

	Billions of Yen		Millions of U.S. Dollars
March 31	**2008**	2007	**2008**
Short-term debt	**¥ 264.5**	¥ 373.7	**$ 2,640**
Commercial paper	**43.0**	—	**429**
Current maturities of long-term debt	**72.0**	138.5	**719**
Current maturities of debentures	**4.0**	5.8	**40**
Short-term total	**383.5**	518.0	**3,828**
Long-term loans payable	**1,519.8**	1,456.3	**15,169**
Debentures	**201.1**	191.2	**2,007**
Long-term total	**1,720.9**	1,647.6	**17,176**
Total interest-bearing debt	**2,104.4**	2,165.6	**21,004**
Cash and cash equivalents and time deposits	**449.9**	534.7	**4,491**
Net interest-bearing debt	**¥1,654.5**	¥1,630.9	**$16,513**

Net Interest-Bearing Debt, Stockholders' Equity and Net DER (Debt-to-Equity Ratio)



* For fiscal years

Financial Position

Fiscal year ended March 31, 2008 compared to fiscal year ended March 31, 2007

Total assets decreased by 0.3% or ¥16.1 billion to ¥5,255.4 billion (US$52,445 million), principally due to the effect of the yen's appreciation, a decrease in cash and cash equivalents, a decline in other investments due to a fall in stock prices, and the disposal of office buildings, which offset an increase in trade receivables in Energy, Metals & Minerals and Chemicals, Forest Products & General Merchandise, an increase in mineral rights due to the acquisition of equity interests in the natural resource development business area, and increase in investments in and advances to associated companies stemming from an increase in additional investment in Orient Corporation and a rise in equity in earnings of associated companies.

Stockholders' equity increased by 9.2% or ¥82.3 billion to ¥978.5 billion (US$9,766 million), mainly because higher net income absorbed cash dividends, a deterioration of foreign currency translation adjustment due to the appreciation of the yen, and a decrease in unrealized holding gains on securities and a deterioration of pension liability adjustments accompanying the fall in stock prices. The ratio of stockholders' equity to total assets improved by 1.6 points to 18.6%.

The main increases and decreases from the previous fiscal year-end in respective items in consolidated balance sheets were as follows.

Cash and cash equivalents decreased by ¥86.5 billion to ¥446.3 billion (US$4,455 million).

Time deposits increased by ¥1.7 billion to ¥3.6 billion (US$36 million).

Trade receivables (less allowance for doubtful receivables) increased by ¥143.3 billion to ¥1,564.9 billion (US$15,619 million), due to factors including increased transactions for Machinery, Energy, Metals & Minerals, and Chemicals, Forest Products & General Merchandise.

Inventories increased by ¥1.2 billion to ¥531.5 billion (US$5,305 million).

Advances to suppliers increased by ¥2.4 billion to ¥101.0 billion (US$1,008 million).

Other current assets declined by ¥32.6 billion to ¥242.1 billion (US$2,416 million), which was largely the result of loans collection.

As a result, total current assets increased by ¥27.6 billion to ¥3,094.5 billion (US$30,886 million).

Investments in and advances to associated companies increased by ¥48.8 billion to ¥656.9 billion (US$6,556 million), because of additional investment in Orient Corporation and a rise in equity in earnings of associated companies.

Other investments decreased by ¥84.7 billion to ¥547.8 billion (US$5,468 million), primarily reflecting a decrease in unrealized holding gains on securities resulting from the fall in stock prices.

Other non-current receivables (less allowance for doubtful receivables) increased by ¥19.3 billion to ¥96.4 billion (US$963 million), which resulted from such factors as a rise in long-term trade receivables in Machinery.

As a result, total investments and non-current receivables decreased by ¥16.7 billion to ¥1,301.1 billion (US$12,986 million).

Property and equipment, at cost (less accumulated depreciation) declined by ¥17.0 billion to ¥513.0 billion (US$5,121 million), mainly as a consequence of a decrease in land and buildings that accompanied the disposal of office buildings.

Goodwill and other intangible assets (less accumulated amortization) increased ¥0.1 billion to ¥147.9 billion (US$1,476 million).

Prepaid pension cost decreased by ¥56.1 billion to ¥30.1 billion (US$300 million), reflecting a decrease in the pension assets due to the fall in stock prices.

Deferred tax assets, non-current, increased by ¥17.8 billion to ¥49.5 billion (US$494 million), largely due to an increase of pension liability adjustments and decrease of unrealized holding gains on securities, which cancelled the effect of continued implementation of measures for reduction in deductible temporary differences through disposal of receivables, securities, and real estate. Further, net deferred tax assets increased by ¥18.1 billion to ¥59.9 billion.

Short-term debt and **Current maturities of long-term debt** respectively decreased by ¥66.3 billion to ¥307.4 billion (US$3,069 million), and by ¥68.3 billion to ¥76.0 billion (US$759 million), mostly as a result of continued efforts to repay interest-bearing debt and to lengthen loan periods in order to establish a stable funding structure. (Please refer to Note 10: Short-term and long-term debt in Notes to Consolidated Financial Statements.)

Trade payables decreased by ¥38.9 billion to ¥1,285.7 billion (US$12,833 million), because of a reduction in Machinery, Aerospace, Electronics & Multimedia, Forest

Products & General Merchandise, and Food.

Due to associated companies decreased by ¥26.7 billion to ¥19.4 billion, mainly reflecting a reduction in deposits from associated companies. **Advances from customers** increased by ¥11.0 billion to ¥118.4 billion, because of an increase in Machinery. **Other current liabilities** decreased by ¥5.7 billion to ¥199.3 billion.

As a result, current liabilities decreased by ¥199.8 billion to ¥2,189.5 billion (US$21,853 million).

Reserves for Liquidity

The basic policy is to maintain and secure an adequate amount of reserves required for liquidity covering short-term interest-bearing debt and contingent liabilities due within three months. This policy is based on the scenario whereby new funding may be unavailable for about three months because of market turmoil. In such a case, ITOCHU must maintain adequate reserves to repay liabilities during such a period in order to cope with unpredictable events.

Primary liquidity resources at the end of Fiscal 2008, the sum of cash, cash equivalents, time deposits (¥449.9 billion) and commitment line agreements (yen short-term ¥100.0 billion, yen long-term ¥300.0 billion, multiple currency short-term US$500 million) was ¥900.0 billion, a decrease of ¥102.7 billion compared with the previous fiscal year-end. However, ITOCHU believes that this amount constitutes adequate reserves for liquidity, since it is 3.6 times of the necessary liquidity amounts (short-term interest-bearing debt and contingent liabilities due within three months), which amounted to ¥252.9 billion as of March 31, 2008.

Secondary liquidity reserves (other assets that can be changed in to cash in short period of time) stand at ¥653.4 billion. When added to primary liquidity reserves, the total amount of liquidity reserves stands at ¥1,553.4 billion.

ITOCHU Corporation has long-term commitment line agreements with financial institutions totaling ¥300.0 billion (US$2,994 million). As a result of the availability of this long-term commitment line, ITOCHU has the intention and the ability for a long-term rollover of current maturities of long-term debt from financial institutions.

ITOCHU thus classified ¥232.4 billion (US$2,319 million) of current maturities of long-term debt as non-current liabilities on the consolidated balance sheet, which was part of ¥308.4 billion (US$3,078 million) in non-current liabilities with a maturity of one year or less based on loan contracts at the end of Fiscal 2008.

However, the above calculation of necessary liquidity amount was based on the repayment figure for loan contracts with a maturity of one year or less, not on the consolidated balance sheet figures.

Necessary Liquidity

	Billions of Yen		Millions of U.S. Dollars
March 31	2008	Necessary Liquidity	2008
Short-term interest-bearing debt	¥307.4	¥153.7 (307.4/6 months x 3 months)	$1,534
Current maturities of long-term interest-bearing debt	(Note) 308.4	77.1 (308.4/12 months x 3 months)	770
Contingent liabilities (Guarantees [substantial risk] for monetary indebtedness of equity-method associated companies and customers)	88.2	22.1 (88.2/12 months x 3 months)	220
Total		¥252.9	$2,524

Note: The figure is the total of current maturities of long-term debt (¥76.0 billion) and long-term commitment line with financial institutions (¥232.4 billion).

Primary Liquidity Reserves

	Billions of Yen	Millions of U.S. Dollars
	2008	
March 31	Liquidity Reserves	Liquidity Reserves
1. Cash, cash equivalents and time deposits	¥449.9	$4,490
2. Commitment line agreements	450.1	4,492
Total primary liquidity reserves	¥900.0	$8,983

Secondary Liquidity Reserves

	Billions of Yen	Millions of U.S. Dollars
	2008	
March 31	Liquidity Reserves	Liquidity Reserves
3. Available portion of over draft for ITOCHU parent	¥ 158.2	$ 1,579
4. Available-for-sale securities (Fair value on a consolidated basis)	305.8	3,053
5. Notes receivable	189.4	1,890
Total secondary liquidity reserves	¥ 653.4	$ 6,522
Total liquidity reserves	¥1,553.4	$15,505

Capital Resources

The fundamental policy is to finance new expenditures for investment activities from operating cash flows and disposal/collection of the existing assets. This includes sale and recovery of assets as well as accumulation of profits. For any shortfall in financial resources in case new investments are made is to be covered by cash flows from financing activities through loan and the issuance of bonds.

Cash and cash equivalents as of March 31, 2008 decreased by 16.2%, or ¥86.5 billion, to ¥446.3 billion (US$4,455 million) compared with the previous fiscal year-end. This was mainly due to efficient control of cash and cash equivalents and progress in repayment of interest-bearing debt.

Cash flows from operating activities for Fiscal 2008 recorded a net cash-inflow of ¥65.6 billion (US$654 million). This was mainly due to strong operating income from overseas natural resource-related business despite increasing payments related with higher working capital through expanding business lines.

Cash flows from investing activities for Fiscal 2008 recorded a net cash-outflow of ¥65.8 billion (US$656 million). This was mainly due to cash-outflow regarding new investment and new capital expenditure in metal resource development, energy development and consumer-related area as well as additional investment in Orient Corporation, which was offset by cash-inflow regarding disposal of coal mining interests, office buildings and investment securities. Cash flows from investing activities are almost covered with cash flows provided by operating activities.

Cash flows from financing activities for Fiscal 2008 recorded a net cash-outflow of ¥81.3 billion (US$811 million). This was due to continued efforts of reducing interest-bearing liabilities to improve ITOCHU's financial position.

A summary of cash flows for fiscal years ended March 31, 2008 and 2007 is as follows:

	Billions of Yen		Millions of U.S. Dollars
March 31	2008	2007	2008
Cash flows from operating activities	¥ 65.6	¥ 235.9	$ 654
Cash flows from investing activities	(65.8)	(83.4)	(656)
Cash flows from financing activities	(81.3)	(100.9)	(811)
Effect of exchange rate changes on cash and cash equivalents	(5.0)	3.5	(50)
Net increase (decrease) in cash and cash equivalents	(86.5)	55.1	(863)
Cash and cash equivalents at beginning of year	532.9	477.7	5,318
Cash and cash equivalents at end of year	¥446.3	¥ 532.9	$4,455

OFF-BALANCE SHEET ARRANGEMENTS AND AGGREGATE CONTRACTUAL OBLIGATIONS

ITOCHU and its subsidiaries issue various guarantees for indebtedness including bank loans to subsidiaries, equity-method associated companies and customers. Because the guaranteed borrowings of subsidiaries are included in the Company's consolidated financial statements, off-balance sheet guarantees are solely the total guarantees to equity-method associated companies and customers. The breakdown of guarantees as of March 31, 2008 and 2007 is as follows:

March 31	Billions of Yen 2008	Billions of Yen 2007	Millions of U.S. Dollars 2008
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	**¥ 81.2**	¥100.6	**$ 811**
Amount of substantial risk	**49.7**	62.9	**496**
Guarantees for customers:			
Maximum potential amount of future payments	**¥108.1**	¥140.6	**$1,079**
Amount of substantial risk	**64.7**	97.1	**646**
Total:			
Maximum potential amount of future payments	**¥189.3**	¥241.2	**$1,890**
Amount of substantial risk	**114.5**	160.0	**1,142**

The maximum potential amount of future payments of the Company under the guarantee contracts is presented above. The amount of substantial risk represents the total amount of the substantial risk taken, based on the actual amount of liability incurred by the guaranteed parties as of the end of the respective term within the pre-determined guaranteed limit established under the guarantee contracts. The amount that can be recovered from third parties under the back-to-back guarantees submitted by the Company or its subsidiaries concerned have been excluded in determining the amount of substantial risk. The disclosures related to guarantees are shown in Note 24 "Commitments and Contingent Liability" to the consolidated financial statements.

The following table shows the breakdown by maturity of repayment of short-term debt and long-term debt as well as payments under capital and operating leases.

	Billions of Yen				
	2008				
March 31	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term loans payable	¥ 264.5	¥264.5	¥ —	¥ —	¥ —
Commercial paper	43.0	43.0	—	—	—
Long-term debt	1,971.1	76.0	556.8	433.8	904.5
(Capital leases including long-term debt)	(33.1)	(6.1)	(10.0)	(5.7)	(11.3)
Operating leases	93.3	21.7	27.9	16.2	27.4

	Millions of U.S. Dollars				
	2008				
March 31	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Short-term loans payable	$ 2,640	$2,640	$ —	$ —	$ —
Commercial paper	429	429	—	—	—
Long-term debt	19,674	759	5,558	4,330	9,028
(Capital leases including long-term debt)	(331)	(61)	(101)	(56)	(113)
Operating leases	931	217	278	162	274

RISK INFORMATION

ITOCHU Group is exposed to various risks such as market risks, credit risks and investment risks, due to the nature of a wide range of their businesses. These risks include unpredictable uncertainties and may have significant effects on their future business and financial performance.

ITOCHU Group has enhanced their risk management policy and risk management methodology to monitor and manage these risks, but it is impossible to completely avoid all these risks.

With respect to descriptions about future events, ITOCHU has appropriately determined its assumptions and estimates based on information currently available as of March 31, 2008.

(1) Corporate Result Risks Due to Macroeconomic Factors

ITOCHU Group involves a wide variety of business ranging from supply of raw materials to manufacturing and sale in each of their businesses areas. It conducts diverse types of commercial transactions such as purchase and sale of products in the domestic market, import/export trade between overseas affiliates as well as development of energy, metal resources and mineral resources. Changes in the domestic economy and fluctuations in world economic environments can seriously affect ITOCHU Group's results of operations.

To give an overview of Group's main areas of business, trade in machinery such as plants, autos and industrial machinery, trade in mineral resources, energy and chemical products and investments in development are all largely dependent on economic trends in the world while the domestic economy has a relatively strong influence on the consumer and retail-related segments such as textiles and food. However, economic trends in the world has been more and more influential even on these consumer and retail-related segments as economic globalization proceeds.

Furthermore, in North America, China & Asia, which ITOCHU regards as priority areas, the Group has conducted business and trade in many business areas. Consequently, economic trends in the said regions have a possibility to seriously affect the financial position and results of operations of the Group.

(2) Market Risk

ITOCHU Group is exposed to market risks such as foreign exchange rate risks, interest rate risks, commodity price risks and stock price risks. The Group attempts to minimize risks related to market fluctuations such as changes in foreign exchange rates and interest rates by establishing risk management policy such as setting and controlling limits and by utilizing a variety of derivative instruments for hedging purposes.

Foreign Exchange Rate Risk

ITOCHU Group is exposed to foreign exchange rate risk related to transactions in foreign currencies due to their significant involvement in import/export trading.

ITOCHU is working to manage the Group's foreign currency balance based on independently specified criteria such as contract amount, debt and liabilities, and short/long-term, as well as setting limits on foreign exchange rate risk. ITOCHU is also working to minimize foreign exchange rate risk using derivative transactions such as forward exchange contracts and currency swap contracts. However, ITOCHU cannot guarantee a complete avoidance of such foreign exchange rate risk by utilizing these hedging techniques.

Since ITOCHU is engaged in businesses involving foreign currencies with a number of overseas trading subsidiaries and other overseas group companies, the figures in Japanese yen on its consolidated balance sheets are also exposed to the risk of stockholders' equity fluctuation through the accounting for foreign currency translation adjustments resulting from translation gains or losses. This translation risk has no impact on the performance of the business itself conducted in foreign currencies. In addition, a long period is generally needed to recover the cost of investments. Accordingly, ITOCHU does not hedge the translation risk, as the effectiveness provided by hedging is considered to be limited.

Interest Rate Risk

ITOCHU Group is exposed to interest rate risk in both raising and using money for financing, investing, and operating activities. Among the interest insensitive assets such as invested marketable securities or fixed assets, the part acquired using floating interest loans is considered to be the interest mismatch amount exposed to interest rate risk. ITOCHU is working to quantify the interest rate risk to control the fluctuation of gains and losses due to interest rate change properly.

To be specific, using the management method Earnings at Risk (EaR), ITOCHU has set a certain limit (Loss Cut Limit) as the highest acceptable interest payment and has executed hedging transactions primarily in the form of interest rate swaps to minimize interest rate risk.

However, ITOCHU still cannot guarantee a complete avoidance of interest rate risk, even having adopted these management methods.

Commodity Price Risk

As a trading company handling a diverse array of commodities, ITOCHU Group is exposed to commodity price risk due to such factors as market fluctuations. The Group has established a fundamental risk management policy on an individual Division Company basis, assessing purchase contracts, inventories, and sales contracts, etc. and sets and manages a balance limit and loss cut limit for each individual product with conducting periodic reviews.

In addition, ITOCHU Group works to minimize commodity price risk by utilizing derivatives such as futures or forward contracts as means of hedging. Despite these measures, ITOCHU Group cannot guarantee a complete avoidance of commodity price risk.

ITOCHU Group also participates in resource development businesses such as the energy, metals and minerals sector and other manufacturing businesses. Production in these businesses is also exposed to the same commodity price risk noted above, and it is possible for the value of the businesses to deteriorate.

If this were to occur, it could seriously affect the financial position and results of operations of ITOCHU Group.

Stock Price Risk

ITOCHU Group holds available-for-sale securities which are vulnerable to price fluctuation.

The Group strives to maintain appropriate levels of investment and to minimize the risk by applying Exit Rule for inefficient investments that ITOCHU Group has little reason to hold.

However, assuming that the price of these investments fluctuated and the fair value of these available-for-sale marketable securities decreased, the necessity of recognizing holding loss on securities may arise, and it could seriously affect the financial position and results of operations of ITOCHU Group.

(3) Credit Risks

ITOCHU Group conducts a vast array of commercial transactions with its trading partners, both domestically and overseas. ITOCHU therefore bears credit risk from the uncollectible trading receivables, loans, or credits for guaranty held by the Group due to the deteriorating credit status or insolvency of ITOCHU's partners, from assuming a responsibility to fulfill the contracts as an involved party is unable to continue its business and fulfill its obligations under the contracts.

In ITOCHU, the credit department, which is independent of the business departments, manages credit risk on both quantitative and qualitative bases. Each proposal submitted by a business division undergoes careful screening by the credit department, which then sets an appropriate credit limit upon the completion of review. Specific expiration dates are set for credit limits. These limits and the status of trade receivables are monitored on a periodic basis along with periodic reviews of the status of debt collections and delinquencies. The necessary reserves are determined and booked on this basis. With all these measures, however, the occurrence of credit risks cannot be completely avoided, and such occurrences could seriously affect the financial position and results of operations of ITOCHU Group.

(4) Country Risk

ITOCHU Group has trading relationships with many foreign countries. These include handling foreign goods and investments in foreign trading partners. ITOCHU Group therefore is exposed to country risk resulting from regulations imposed by foreign governments, political instability, or restrictions on the transfers of funds. In response to the country risk, in addition to taking appropriate countermeasures for each transaction, with the aim of avoiding a concentration of exposure, ITOCHU Group is endeavoring to manage risk by setting total limit guidelines and limits for each country and setting credit policies appropriate to each country.

ITOCHU Group does, however, have debts in countries and regions where there is a relatively high probability of country risk emerging, and those in which business activities are implemented through loans, investment and guarantees for monetary indebtedness. When those debts and business activities face events caused by political, economic, or social instability, ITOCHU Group cannot entirely deny the possibility that those events may have a significant impact on the debt collection and sustainability of ITOCHU Group's business activities in such countries and regions. Such occurrences could have a serious, adverse effect on the financial position and results of operations of ITOCHU Group.

(5) Investment Risk

Investing in a variety of businesses is one of the major business activities of ITOCHU Group.

In managing the Group's portfolio of investments strategically, ITOCHU Group faces serious decisions regarding the initiation of new investments that will produce profit commensurate with the attendant risk, or the withdrawal from investments that do not produce profits consistent with attendant risks.

In considering a new investment, monitoring existing business and withdrawing from an investment, ITOCHU has a standard for decision making.

However, in ITOCHU Group's engagement in investing activities, there may arise such cases that the Group is unable to achieve the Group's forecasted results due to a deteriorating economic environment for business in which the Group has invested or the deteriorating corporate results and financial standing of ITOCHU's partners, ITOCHU Group is unable to withdraw from a business or restructure the business under a timeframe or method that the Group desires, the likelihood of recovering due to poor corporate results of investees, or stock prices is expected ITOCHU's investment diminishes to drop below specified levels for a considerable period of time. In such cases, serious adverse influences on the future corporate results and financial standing of ITOCHU Group are possible including the necessities that the whole or partial investment is recognized as loss, and that the infusion of additional funds is required.

(6) Risks Due to Loss on Property and Equipment–net

ITOCHU Group is exposed to impairment loss risks on fixed assets held, such as real estate, aircraft, and ships. ITOCHU does not foresee at present any necessity for booking additional impairment losses.

However, ITOCHU Group might be required to recognize impairment losses should the economic value of fixed assets deteriorate due to decreased demand or deterioration in market conditions for each of the assets. Such an occurrence could seriously affect the financial position and results of operations of ITOCHU Group.

(7) Risks Due to Fund Raising

ITOCHU Group uses ALM (Asset Liability Management) to ensure the necessary funding for its businesses and to ensure liquidity through borrowings from domestic and international financial institutions, as well as the issuance of commercial papers and corporate bonds.

However, should ITOCHU's credit worthiness in the capital market deteriorate due to a significant lowering of the Company's credit rating, or should there be an upheaval in the financial systems in major financial markets, the Group could experience an inability to raise funds from financial institutions or investors when necessary or under desirable conditions and could consequently experience an increase in funding costs. This could exert a serious, adverse influence on the financial position and results of operations of ITOCHU Group.

(8) Risks Due to Benefit Expenses and Benefit Obligations

The benefit expenses and benefit obligations of ITOCHU are calculated based on actuarial calculations that utilize a variety of assumptions such as the discount rate for benefit obligations and the expected rate of return on pension assets. As of March 31, 2008, there was no shortfall in accumulated pension assets.

However, should it become necessary to change the assumptions on which the actuarial calculations are based or should pension assets be affected by a deterioration in the stock market, it is possible that pension expenses and benefit obligations could increase and that additional contributions to pension assets might be necessary.

The financial position and results of operations of ITOCHU Group could be seriously affected by such occurrences.

(9) Risks Due to Deferred Income Taxes

Deferred income tax assets are an important factor in ITOCHU's consolidated balance sheets.

Therefore, accounting judgment on evaluation of deferred income tax assets has a substantial impact on ITOCHU's consolidated financial statements. Considering the necessity of an allowance for deferred income tax assets, ITOCHU Group reports the realizable amount of deferred income tax assets, taking into consideration future taxable income and feasible tax planning strategies.

The management of ITOCHU Group believes these estimations of realizable amount of deferred income tax assets are rational. However, allowance for deferred income taxes may increase or decrease depending on changes in taxable income during the tax planning period, changes in the tax system in each country including changes in tax rates and changes in tax planning strategies.

In that case it could affect the financial position and results of operations of ITOCHU Group.

(10) Risks Due to Competition

Due to ITOCHU Group's involvement in many different industries and the fact that the Group handles a vast array of products and services, the Group is open to competition from many different companies, both domestic and foreign, including competition from other general trading companies. ITOCHU Group cannot deny the existence of other companies with superior experience, technology, and funding capacity, that are in a position to provide products and services that meet customer needs. Moreover, the possibility of ever-greater competition from companies in newly developing countries like China exists in addition to ongoing competition from companies in European and North American industrialized countries due to the economic globalization.

ITOCHU Group could also find its competitiveness unsustainable due to future events such as deregulation, changes in the business environment such as entering into other industries, and technological innovation. The advent of such risks could cause a corresponding loss in competitiveness for ITOCHU Group, giving major adverse impact on the financial position and results of operations of ITOCHU Group.

(11) Risks Associated with Significant Lawsuits

There is no significant, currently pending lawsuit, arbitration, or other legal proceeding that may materially affect the financial position or results of the operations of ITOCHU Group.

However, there shall be no assurance that domestic or overseas business activities of ITOCHU Group may not become subject to any of such lawsuits, arbitrations or other legal proceedings.

(12) Risks Associated with Compliance

Risks Related to Laws and Regulations

ITOCHU Group is subject to a number of diverse laws and regulations both domestically and overseas due to the vast array of products and services the Group provides.

To be specific, ITOCHU Group is required to adhere to laws and regulations such as the laws for each industry, all laws pertaining to trade such as foreign exchange control laws, antitrust laws, intellectual property laws, waste disposal laws and the laws of each country in which ITOCHU Group conducts business overseas. ITOCHU Group is aware that the observance of laws and regulations is a serious obligation on the part of the Company and the Group has committed every effort into the observance of these laws and regulations by reinforcing the compliance system.

With all these measures, however, there is a possibility of the situation where, including personal misconduct by employees, risks associated with compliance or suffering social disgrace cannot be removed. Also, ITOCHU cannot deny that additional regulations or abrupt changes in regulations by legislative, judicial, and regulatory bodies are a possibility both domestically and overseas, and there are possibilities of major change in laws and regulations by political/economical changes.

This could exert a serious, adverse influence on the financial position and results of operations of ITOCHU Group.

In Fiscal 2008, a case was revealed where a former employee of the Company had committed improper accounting treatment in transactions of foreign-made beverage-use ethanol for substantially long time. To prevent recurrence of these cases, ITOCHU has decided on taking measures to make all employees thoroughly aware of compliance, implement personnel reassignment periodically and strictly, strengthen supervisory framework covering segregation of duties, and ensure the controlling processes for individual transactions, and assure to execute them accordingly.

Risks Related to the Environment

ITOCHU Group has designated global environmental issues as one of the most important elements of its management policy. The Group is actively working on environmental issues designated by ITOCHU's environmental policy to deal with the risk of infringement of laws and regulations pertaining to the environment by each business, the destruction of the natural environment by natural resource development, real estate development, and goods and services.

Despite these efforts, ITOCHU Group cannot guarantee that the Group's business activities will not affect the world environment, and ITOCHU cannot completely avoid the possibility that the opposition of environmental protection groups will impede the business growth.

Should such events occur, the ITOCHU Group could suffer the loss of public trust and could suffer serious adverse effects on the financial position and results of operations of ITOCHU Group.

(13) Risks Associated with Information Systems and Information Security

In ITOCHU Group, a code of conduct concerning the handling of information is enforced on all directors and employees and high priority is placed on maintaining a high information security level. ITOCHU Group has established information systems to facilitate the sharing of information and to improve the efficiency of operations.

In order to maintain a secure operation of its information systems, ITOCHU Group has established security guidelines and has developed crisis control measures.

Despite these measures, ITOCHU Group cannot completely avoid the possibility of unauthorized access from the outside, the leakage of sensitive company information due to computer viruses, or operational failure of the system due to damage to information system equipment arising from natural disasters or accidents or from trouble with telecommunications circuitry.

If such events occur, this could cause a deterioration of operational efficiency, and depending on the seriousness of the damage, could result in a serious adverse effect on the financial position and results of operations of ITOCHU Group.

(14) Natural Disaster Risk

Natural disasters such as earthquake may adversely affect the operations of ITOCHU Group. ITOCHU has implemented measures such as developing Business Continuity Plan (BCP) under large-scale disasters, introducing the safety confirmation system, creating a disaster manual, reinforcing earthquake resistance, and conducting emergency drill. Also, various measures have been implemented individually in each Group company. However, since ITOCHU Group operates business activities in a vast range of regions, damage from disasters cannot be completely avoided.

Therefore, damage inflicted from natural disaster could seriously affect the financial position and results of operations of ITOCHU Group.

CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements are prepared in conformity with U.S. GAAP. In preparation of the consolidated financial statements, the management of the Company is required to make a number of estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, contingent assets and liabilities as of each balance sheet date, and revenues and expenses in each reporting period. Management periodically verifies and makes a review of its estimates, judgments and assumptions based on the available information that is considered to be reasonable by judging from historical experiences and circumstances. These estimates, judgments and assumptions, however, which are often accompanied by uncertainties, may differ from actual results. These differences may have an effect on the Company's consolidated financial statements and performances of every operating segment. The following accounting policies related to estimates, judgments and assumptions that management believes may materially affect consolidated financial statements.

Evaluation of Investments

Investment balance and profit from investments are important factors in the Company's consolidated financial statements and therefore, accounting judgment on evaluation of investments has a substantial impact on the Company's consolidated financial statements. The Company and its subsidiaries evaluate marketable securities based on their fair values. The difference between carrying amount and fair value is reported in the consolidated statements of operations for trading securities, while differences net of tax are reported in stockholders' equity as "unrealized holding gains on securities," for available-for-sale securities. When the Company and its subsidiaries judge that the price decrease of marketable securities is other than temporary, considering severity and duration of decline in the fair value against carrying amount, impairment losses are recognized for the devaluation of this value.

For the impairment of non-marketable securities, judgment of an other-than-temporary decline is conducted after a comprehensive consideration of the magnitude of the decrease in terms of net asset value, the financial conditions of the invested companies, and the outlook for their future performance.

For the impairment of marketable investments in equity-method investees, in accordance with U.S. Accounting Principles Board Opinions ("APB") No.18, as is the case for impairment of long-lived assets, the Company and its subsidiaries judge whether or not a price decrease is other than temporary not only by measuring the magnitude of the decrease in market value but also comprehensively considering the possibility of collection based on the estimated future cash flows generated from the investment.

The management of the Company believes that these investment evaluations are rational. However, difference in estimates such as estimated future cash flows due to unforeseen changes in business conditions may impair the value of investments and have a material impact on the Company's consolidated financial statements.

Provision for Doubtful Receivables

Trade receivables including notes and accounts, in addition to loans, represent a large amount in the Company's consolidated balance sheets, and provision for doubtful receivables is an important factor in the Company's consolidated statements of operations. Therefore, accounting judgment on evaluation of receivables has a substantial impact on the Company's consolidated financial statements.

In the Company, the credit department, which is independent of business departments, manages and evaluates credit risk from both quantitative and qualitative perspectives, monitoring regularly the credit limit and the current condition of trade receivables, and reviewing regularly the current condition of debt collection and delinquency to discuss and record the required provision for doubtful receivables. The Company and its subsidiaries estimate the recoverable amount and records the required provision for doubtful receivables, after comprehensively considering the status of collection, past insolvency record, financial conditions of debtors and value of collateral.

The management of the Company believes that these estimations of provisions for doubtful receivables are rational. However, deterioration of the debtors' financial conditions and decreases in estimated collateral value due to unpredictable changes in business conditions may reduce the recoverable amounts from the latest estimation, and an increase in provision for doubtful receivables may have a material impact on the Company's consolidated financial statements.

Deferred Income Taxes

Deferred income tax assets are an important factor in the Company's consolidated balance sheets. Therefore, accounting judgment on evaluation of deferred income tax assets has a substantial impact on the Company's consolidated financial statements. To consider record of valuation allowances for deferred income tax assets, the Company and its subsidiaries report the realizable amount of deferred income tax assets, taking into consideration future taxable income and feasible tax planning strategies. To evaluate realizable amount, it considers information such as historical records and any available information related to the future.

The management of the Company believes that these estimations of realizable amount of deferred income tax assets are rational. However, valuation allowances for deferred income tax assets may increase or decrease depending on changes in taxable income during the tax planning period and changes in tax planning strategies, which may have a material impact on the Company's consolidated financial statements.

Impairment of Long-Lived Assets

If a part of the carrying amount is determined to be unrecoverable due to changes in the situation for long-lived assets used for business and intangible assets whose useful lives are finite, the Company and its subsidiaries recognize the impairment of long-lived assets based on fair value by calculating the sum of the outcome of the use of the long-lived asset and future cash flows (before discounts) resulting from its sale, and in case the sum falls below the carrying amount.

The management of the Company believes that these calculations of estimated future cash flows and fair value have been done in a rational manner. However, fluctuations in estimated future cash flows and fair value due to unpredictable changes in business conditions may reduce the evaluation of long-lived assets, which may have a material impact on the Company's consolidated financial statements.

Goodwill and Other Intangible Assets

Goodwill and non-amortizable intangible assets with indefinite useful lives are tested for impairment at least annually or at any time when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Fair value, which is indispensable for the impairment test, is estimated by discounted future cash flows based on the business plan. The management of the Company believes that these calculations of estimated future cash flows and fair value have been done in a rational manner. However, fluctuations in estimated future cash flows and fair value due to unpredictable changes in business conditions may reduce the evaluation of goodwill and other intangible assets, which may have a material impact on the Company's consolidated financial statements.

Cost of Retirement and Severance Benefits

The Company and its subsidiaries calculate the cost of its employees' retirement and severance benefits and pension obligations based on the same types of assumptions used in actuarial calculations, which include such important estimations as discount rates, retirement rates, death rates, increase rates of salary and long-term expected rates of return on plan assets. To determine each of these assumptions, the Company and its subsidiaries comprehensively judge all available information including market trends such as interest rate changes.

The management of the Company believes that the determination of these assumptions has been done in a rational manner. However, any difference between the assumptions and the actual conditions may influence the future retirement benefit costs and pension liabilities, which may have a material impact on the Company's consolidated financial statements

NEW ACCOUNTING PRONOUNCEMENTS

a. Accounting for Uncertainty in Income Taxes

From the fiscal year, the Company and its consolidated subsidiaries adopted the FASB interpretation (FIN) 48 "Accounting for Uncertainty in Income Taxes—an interpretation of SFAS No. 109," which was issued in June 2006.

FIN 48 stipulates recognition and measurement procedure based on that estimates of income taxes contains uncertainty. The effect of adoption of FIN 48 on the Company and its subsidiaries' financial position and results of operations was immaterial.

b. Fair Value Measurements

SFAS 157 "Fair Value Measurements" was issued in September 2006.

SFAS 157 sets definition of "fair value" and applied the approach of categorizing fair value in accordance with separate three levels to reflect the degree of objectivity of estimates.

SFAS 157 is applicable from the fiscal year ending March 2009. The Company is currently examining the effect of the adoption of SFAS 157 on the financial position and operation results of the Company and its subsidiaries, and at the present, the effect cannot be reasonably estimated.

c. Fair Value Option

SFAS 159 "Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No.115" was issued in February 2007.

SFAS 159 enables selection in the measurement of financial instruments as of the date of the balance sheet between fair value measurement or previous methods, based on certain restrictions.

SFAS 159 is applicable from the fiscal year ending March 2009. The effect in relation to the financial position and operation results of the Company and its subsidiaries cannot be reasonably estimated in the event that the Company and its subsidiaries adopt the fair value option.

d. Business Combinations

SFAS 141 (R) "Business Combinations (Revised 2007)" was issued in December 2007. Regarding business combinations, SFAS 141 (R) entails a change in approach from previous purchase methods to acquisition methods that focus acquisition of control. Further, SFAS 141 (R) introduces the approach to recognize of goodwill as well as for non-controlling interests.

SFAS 141 (R) is applicable from the fiscal year ending March 2010. The Company is currently examining the effect of adopting SFAS 141 (R) on the financial position and operation results of the Company and its subsidiaries, and at the present, the effect cannot be reasonably estimated.

e. Non-controlling Interests in Consolidated Financial Statements

SFAS 160 "Non-controlling Interests in Consolidated Financial Statements—an amendment of ARB No.51" was issued in December 2007.

SFAS 160 changes minority interests, the previous designation, to non-controlling interests and adopts an approach of regarding noncontrolling interests as a component of stockholders' equity. Accordingly, the Company will change its presentation of consolidated financials statements. Further, purchases to increase interests or dispose of a portion of interests while maintaining control are capital transactions, and the Company will never recognize any gain or loss.

SFAS 160 is applicable from the fiscal year ending March 2010. The Company is currently examining the effect of adopting SFAS 160 on the financial position and operation results of the Company and its subsidiaries, and at the present, the effect cannot be reasonably estimated.

f. Disclosures about Derivative Instruments and Hedging Activities

SFAS 161 "Disclosures about Derivative Instruments and Hedging Activities" was issued in March 2008.

SFAS 161 requires more detailed disclosures of derivative instruments and hedging activities.

SFAS 161 is applicable from the quarter ending March 2010. The Company is currently examining the effect of adopting SFAS 161 on the financial disclosure of the Company and its subsidiaries, and at the present the effect cannot be reasonably estimated.

Consolidated Balance Sheets

ITOCHU Corporation and Subsidiaries
As of March 31, 2008 and 2007

	Millions of Yen		Millions of U.S. Dollars (note 2)
Assets	**2008**	2007	**2008**
Current assets:			
Cash and cash equivalents (notes 2, 4 and 8)	**¥ 446,311**	¥ 532,856	**$ 4,455**
Time deposits (note 8)	**3,559**	1,845	**36**
Marketable securities (notes 2, 4 and 8)	**30,776**	31,161	**307**
Trade receivables (note 8):			
Notes	**189,446**	163,449	**1,891**
Accounts (note 12)	**1,391,211**	1,273,464	**13,886**
Allowance for doubtful receivables (notes 2 and 6)	**(15,781)**	(15,358)	**(158)**
Net trade receivables	**1,564,876**	1,421,555	**15,619**
Due from associated companies	**105,993**	105,884	**1,058**
Inventories (notes 2 and 8)	**531,534**	530,335	**5,305**
Advances to suppliers	**100,973**	98,604	**1,008**
Prepaid expenses	**29,797**	32,103	**297**
Deferred tax assets (notes 2 and 15)	**38,564**	37,898	**385**
Other current assets	**242,103**	274,664	**2,416**
Total current assets	**3,094,486**	3,066,905	**30,886**
Investments and non-current receivables:			
Investments in and advances to associated companies (notes 2, 5, 8 and 13)	**656,884**	608,121	**6,556**
Other investments (notes 2, 4, 7 and 8)	**547,790**	632,527	**5,468**
Other non-current receivables (notes 8 and 12)	**149,600**	143,628	**1,493**
Allowance for doubtful receivables (notes 2 and 6)	**(53,167)**	(66,450)	**(531)**
Total investments and non-current receivables	**1,301,107**	1,317,826	**12,986**
Property and equipment, at cost (notes 2, 7, 8, 12 and 17):			
Land	**121,977**	160,620	**1,218**
Buildings	**303,790**	328,397	**3,032**
Machinery and equipment	**288,542**	276,368	**2,880**
Furniture and fixtures	**57,163**	57,594	**571**
Mineral rights	**85,396**	45,905	**852**
Construction in progress	**10,629**	16,090	**106**
Total property and equipment, at cost	**867,497**	884,974	**8,659**
Less accumulated depreciation	**354,480**	354,929	**3,538**
Net property and equipment	**513,017**	530,045	**5,121**
Goodwill and other intangible assets, less accumulated amortization (notes 2 and 9)	**147,924**	147,975	**1,477**
Prepaid pension cost (notes 2 and 13)	**30,077**	86,180	**300**
Deferred tax assets, non-current (notes 2, 13 and 15)	**49,452**	31,612	**494**
Other assets	**119,357**	90,969	**1,191**
Total	**¥5,255,420**	¥5,271,512	**$52,455**

See notes to consolidated financial statements.

Liabilities and Stockholders' Equity	Millions of Yen 2008	Millions of Yen 2007	Millions of U.S. Dollars (note 2) 2008
Current liabilities:			
Short-term debt (notes 8 and 10)	**¥ 307,446**	¥ 373,723	**$ 3,069**
Current maturities of long-term debt (notes 8 and 10)	**76,017**	144,317	**759**
Trade payables (note 8):			
Notes and acceptances	**152,041**	181,197	**1,518**
Accounts	**1,133,683**	1,143,422	**11,315**
Total trade payables	**1,285,724**	1,324,619	**12,833**
Due to associated companies	**19,382**	46,083	**193**
Accrued expenses	**135,430**	135,335	**1,352**
Income taxes payable (note 15)	**46,898**	51,059	**468**
Advances from customers	**118,351**	107,308	**1,181**
Deferred tax liabilities (notes 2 and 15)	**908**	1,812	**9**
Other current liabilities (note 12)	**199,302**	205,040	**1,989**
Total current liabilities	**2,189,458**	2,389,296	**21,853**
Long-term debt, excluding current maturities (notes 2, 8, 10, 11 and 12)	**1,895,088**	1,795,333	**18,915**
Accrued retirement and severance benefits (notes 2 and 13)	**19,602**	21,748	**196**
Deferred tax liabilities, non-current (notes 2 and 15)	**27,183**	25,885	**271**
Commitments and contingent liabilities (note 24)			
Minority interests (note 13)	**145,618**	143,055	**1,454**
Stockholders' equity:			
Common stock (note 18):			
Authorized: 3,000,000,000 shares;			
issued: 1,584,889,504 shares 2008 and 2007	**202,241**	202,241	**2,019**
Capital surplus (note 18)	**137,211**	136,842	**1,369**
Retained earnings (note 18):			
Legal reserve	**10,373**	7,423	**104**
Other retained earnings	**657,683**	469,736	**6,564**
Accumulated other comprehensive income (loss) (notes 2, 15 and 19):			
Foreign currency translation adjustments	**(24,948)**	903	**(249)**
Pension liability adjustments (note 13)	**(73,379)**	(41,335)	**(732)**
Unrealized holding gains on securities (note 4)	**74,389**	122,736	**742**
Unrealized holding losses on derivative instruments (note 20)	**(2,510)**	(441)	**(25)**
Total accumulated other comprehensive income (loss)	**(26,448)**	81,863	**(264)**
Treasury stock, at cost:			
4,183,607 shares 2008			
3,693,789 shares 2007	**(2,589)**	(1,910)	**(26)**
Total stockholders' equity	**978,471**	896,195	**9,766**
Total	**¥5,255,420**	¥5,271,512	**$52,455**

Consolidated Statements of Operations

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Millions of Yen			Millions of U.S. Dollars (note 2)
	2008	2007	2006	**2008**
Revenue (notes 2, 12 and 17):				
Sales revenue	**¥ 2,233,523**	¥ 2,094,850	¥ 1,806,650	**$ 22,293**
Trading margins and commissions on trading transactions	**627,687**	552,352	411,571	**6,265**
Total trading transactions (notes 2, 5 and 17): 2008: ¥12,412,456 million ($123,889 million) 2007: ¥11,579,059 million 2006: ¥10,473,885 million				
Total revenue	**2,861,210**	2,647,202	2,218,221	**28,558**
Cost of sales	**(1,865,306)**	(1,738,526)	(1,503,847)	**(18,618)**
Gross trading profit (note 17)	**995,904**	908,676	714,374	**9,940**
Selling, general and administrative expenses (notes 9, 12 and 13)	**(723,403)**	(639,121)	(506,257)	**(7,220)**
Provision for doubtful receivables (note 6)	**(5,977)**	(4,934)	(14,728)	**(60)**
Interest income	**17,829**	16,117	13,409	**178**
Interest expense	**(49,985)**	(45,335)	(39,441)	**(499)**
Dividends received	**24,447**	21,663	18,216	**244**
Gain on disposal of investments and marketable securities, net of write-down (notes 4 and 21)	**16,384**	46,850	51,601	**164**
Gain (loss) on property and equipment–net (note 7)	**6,675**	(6,785)	(7,917)	**67**
Other–net (notes 2, 9, 14 and 23)	**833**	3,099	(12,388)	**8**
Income before income taxes, minority interests, equity in earnings (losses) of associated companies and cumulative effect of an accounting change	**282,707**	300,230	216,869	**2,822**
Income taxes (notes 2, 15 and 21):				
Current	**91,922**	80,261	65,232	**918**
Deferred	**30,078**	8,665	41,691	**300**
Total income taxes	**122,000**	88,926	106,923	**1,218**
Income before minority interests, equity in earnings (losses) of associated companies and cumulative effect of an accounting change	**160,707**	211,304	109,946	**1,604**
Minority interests	**(12,360)**	(14,176)	(13,098)	**(123)**
Equity in earnings (losses) of associated companies (notes 5 and 17)	**70,238**	(20,069)	51,737	**701**
Income before cumulative effect of an accounting change	**218,585**	177,059	148,585	**2,182**
Cumulative effect of an accounting change, less applicable income taxes (notes 2 and 17)	**—**	—	(3,439)	**—**
Net income	**¥ 218,585**	¥ 177,059	¥ 145,146	**$ 2,182**

	Yen			U.S. Dollars (note 2)
	2008	2007	2006	**2008**
Net income per common share (notes 2 and 16):				
Income before cumulative effect of an accounting change	**¥138.27**	¥111.95	¥93.91	**$1.38**
Cumulative effect of an accounting change, less applicable income taxes	**—**	—	(2.17)	**—**
Net income per common share	**¥138.27**	¥111.95	¥91.74	**$1.38**
Diluted net income per common share:				
Income before cumulative effect of an accounting change	**¥128.52**	¥111.95	¥93.91	**$1.28**
Cumulative effect of an accounting change, less applicable income taxes	**—**	—	(2.17)	**—**
Diluted net income per common share	**¥128.52**	¥111.95	¥91.74	**$1.28**

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Millions of Yen			Millions of U.S. Dollars (note 2)
	2008	2007	2006	**2008**
Common stock (note 18):				
Balance at beginning of year				
issued: 1,584,889,504 shares 2008, 2007 and 2006	**¥ 202,241**	¥202,241	¥202,241	**$ 2,019**
Balance at end of year				
1,584,889,504 shares 2008, 2007 and 2006	**¥ 202,241**	¥202,241	¥202,241	**$ 2,019**
Capital surplus (note 18):				
Balance at beginning of year	**¥ 136,842**	¥137,035	¥137,024	**$ 1,366**
Excess arising from retirement of treasury stock	**16**	8	11	**0**
Increase (decrease) arising from group realignment				
between subsidiaries	**353**	(201)	—	**3**
Balance at end of year	**¥ 137,211**	¥136,842	¥137,035	**$ 1,369**
Retained earnings (note 18):				
Legal reserve:				
Balance at beginning of year	**¥ 7,423**	¥ 5,667	¥ 3,927	**$ 74**
Transfer from other retained earnings	**3,075**	1,822	1,797	**31**
Redistribution arising from sale by parent of common				
stock of subsidiaries and associated companies	**(125)**	(66)	(57)	**(1)**
Balance at end of year	**¥ 10,373**	¥ 7,423	¥ 5,667	**$ 104**
Other retained earnings:				
Balance at beginning of year	**¥ 469,736**	¥310,261	¥184,273	**$ 4,688**
Net income	**218,585**	177,059	145,146	**2,182**
Cash dividends	**(27,688)**	(15,828)	(17,418)	**(276)**
Transfer to legal reserve	**(3,075)**	(1,822)	(1,797)	**(31)**
Redistribution arising from sale by parent of common				
stock of subsidiaries and associated companies	**125**	66	57	**1**
Balance at end of year	**¥ 657,683**	¥469,736	¥310,261	**$ 6,564**
Accumulated other comprehensive income (loss)				
(notes 2, 4, 13, 15, 19 and 20):				
Balance at beginning of year	**¥ 81,863**	¥ 72,889	¥ (16,242)	**$ 817**
Other comprehensive income (loss)	**(108,311)**	47,451	89,131	**(1,081)**
Adjustment to initially apply SFAS No.158	**—**	(38,477)	—	**—**
Balance at end of year	**¥ (26,448)**	¥ 81,863	¥ 72,889	**$ (264)**
Treasury stock:				
Balance at beginning of year	**¥ (1,910)**	¥ (1,277)	¥ (826)	**$ (19)**
Net change in treasury stock	**(679)**	(633)	(451)	**(7)**
Balance at end of year	**¥ (2,589)**	¥ (1,910)	¥ (1,277)	**$ (26)**
Total	**¥ 978,471**	¥896,195	¥726,816	**$ 9,766**
Comprehensive income:				
Net income	**¥ 218,585**	¥177,059	¥145,146	**$ 2,182**
Other comprehensive income (loss) (net of tax) (notes 2, 15 and 19):				
Net change in foreign currency translation				
adjustments during the year	**(25,851)**	26,704	37,618	**(258)**
Minimum pension liability adjustments (note 13)	**—**	(772)	(39)	**—**
Pension liability adjustments (note 13)	**(32,044)**	—	—	**(320)**
Net change in unrealized holding gains (losses)				
on securities during the year (note 4)	**(48,347)**	25,047	44,943	**(482)**
Net change in unrealized holding gains (losses)				
on derivative instruments during the year (note 20)	**(2,069)**	(3,528)	6,609	**(21)**
Total other comprehensive income (loss) (net of tax)	**(108,311)**	47,451	89,131	**(1,081)**
Total	**¥ 110,274**	¥224,510	¥234,277	**$ 1,101**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ITOCHU Corporation and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Millions of Yen			Millions of U.S. Dollars (note 2)
	2008	2007	2006	2008
Cash flows from operating activities:				
Net income	¥ 218,585	¥ 177,059	¥ 145,146	$ 2,182
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	71,569	56,383	44,062	714
Provision for doubtful receivables	5,977	4,934	14,728	60
Gain on disposal of investments and marketable securities, net of write-down	(16,384)	(46,850)	(51,601)	(164)
(Gain) loss on property and equipment–net	(6,675)	6,785	7,917	(67)
Equity in (earnings) losses of associated companies, less dividends received	(55,444)	39,849	(43,239)	(553)
Deferred income taxes	30,078	8,665	41,691	300
Minority interests	12,360	14,176	13,098	123
Cumulative effect of an accounting change, less applicable income taxes	—	—	3,439	—
Change in assets and liabilities:				
Trade receivables	(162,053)	(106,945)	(92,507)	(1,617)
Due from associated companies	(2,666)	(35,766)	(3,329)	(27)
Inventories	(13,473)	(45,132)	(26,045)	(135)
Trade payables	(19,939)	125,348	91,919	(199)
Due to associated companies	(26,994)	(217)	4,705	(269)
Other–net	30,611	37,628	35,163	306
Net cash provided by operating activities	65,552	235,917	185,147	654
Cash flows from investing activities:				
Payments for purchases of property, equipment and other assets	(118,800)	(79,159)	(68,809)	(1,186)
Proceeds from sales of property, equipment and other assets	78,582	28,591	36,392	784
Increase in investments in and advances to associated companies	(53,267)	(44,581)	(77,864)	(531)
Decrease in investments in and advances to associated companies	38,495	33,578	34,640	384
Acquisitions of available-for-sale securities	(23,286)	(40,428)	(19,710)	(232)
Proceeds from sales of available-for-sale securities	19,779	35,705	32,951	197
Proceeds from maturities of available-for-sale securities	808	132	204	8
Acquisitions of held-to-maturities securities	—	(60)	—	—
Acquisitions of other investments	(54,844)	(78,070)	(85,134)	(547)
Proceeds from sales of other investments	35,492	45,791	48,257	354
Acquisitions of a subsidiary, net of cash acquired	—	(11,407)	—	—
Proceeds from sales of subsidiaries' common stock	9,684	5,877	25,460	97
Origination of other non-current loan receivables	(48,817)	(49,703)	(38,212)	(487)
Collections of other non-current loan receivables	52,666	48,309	52,445	526
Net (increase) decrease in time deposits	(2,266)	22,031	(20,491)	(23)
Net cash used in investing activities	(65,774)	(83,394)	(79,871)	(656)
Cash flows from financing activities:				
Proceeds from long-term debt	324,994	617,455	503,202	3,244
Repayments of long-term debt	(324,581)	(681,150)	(578,895)	(3,240)
Net increase (decrease) in short-term debt	(48,071)	(22,215)	2,413	(480)
Proceeds from minority interests through issuance of subsidiaries' common stock	1,082	6,244	9,017	11
Cash dividends	(27,688)	(15,828)	(17,418)	(276)
Cash dividends to minority interests	(6,352)	(4,805)	(3,073)	(63)
Net increase in treasury stock	(678)	(621)	(439)	(7)
Net cash used in financing activities	(81,294)	(100,920)	(85,193)	(811)
Effect of exchange rate changes on cash and cash equivalents	(5,029)	3,546	4,690	(50)
Net increase (decrease) in cash and cash equivalents	(86,545)	55,149	24,773	(863)
Cash and cash equivalents at beginning of year	532,856	477,707	452,934	5,318
Cash and cash equivalents at end of year	¥ 446,311	¥ 532,856	¥ 477,707	$ 4,455
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	¥ 48,979	¥ 42,485	¥ 39,044	$ 489
Income taxes	94,312	65,744	40,162	941
Information regarding non-cash investing and financing activities:				
Withdrawal of plan assets (note 13)	—	27,742	—	—
Non-monetary exchange of shares (note 4):				
Fair market value of shares received	2,114	6,941	3,539	21
Costs of shares surrendered	598	3,451	3,093	6
Acquisitions of a subsidiary (note 3):				
Fair value of assets acquired	—	233,512	—	—
Fair value of liabilities assumed	—	204,919	—	—
Acquisition costs of a subsidiary	—	28,593	—	—
Non-cash acquisition costs	—	13,877	—	—
Cash acquired	—	3,309	—	—
Acquisitions of a subsidiary, net of cash acquired	—	11,407	—	—

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ITOCHU Corporation and Subsidiaries

1. Nature of Operations

ITOCHU Corporation (the "Company") is a "sogo shosha" or general trading company. The Company and its subsidiaries purchase, distribute and market a wide variety of commodities, including raw materials, capital goods and consumer goods, whether for Japanese domestic trade, trade between Japan and other nations or trade between third-party nations.

The Company and its subsidiaries not only operate worldwide through trading in various commodities but also provide various services, such as financing arrangements for customers and suppliers, planning and coordinating industrial projects, functioning as an organizer and gathering extensive information. In addition, the Company and its subsidiaries operate in a wide range of business activities—developing market potential, providing services for logistics and transportation and for information and communications, engaging in construction, developing natural resources, investing in the growing high-technology and multimedia fields and promoting environmental protection.

2. Basis of Financial Statements and Summary of Significant Accounting Policies

(1) Basis of Financial Statements

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2008 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥100.19=U.S.$1 (the official rate as of March 31, 2008 announced by The Bank of Tokyo-Mitsubishi UFJ, Ltd.). The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Because the Company and its subsidiaries maintain their records and prepare their financial statements in accordance with accounting principles prevailing in the countries of incorporation, certain adjustments have been made to conform to U.S. GAAP. The major adjustments include those relating to the valuation of certain investment securities, non-monetary exchange of investments, deferred gains on sales of property, pension costs, warrants, the cost of issuance of new shares, recognition of installment sales on the accrual basis of accounting, amortization of goodwill and other intangible assets and derivative instruments and hedging activities.

(2) Summary of Significant Accounting Policies

a. Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its directly or indirectly majority-owned domestic and foreign subsidiaries.

In accordance with Financial Accounting Standards Board ("FASB") Interpretation ("FIN") 46, "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin ("ARB") No. 51" (revised December 2003) ("FIN 46 (R)"), which defines those entities whose equity has specified characteristics as variable interest entities, the Company and its subsidiaries consolidate variable interest entities, where it is concluded that the Company or one of its subsidiaries is primary beneficiary and will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both.

The accounts of the subsidiaries are included on the basis of their respective fiscal periods which end primarily on March 31 or within three months prior to March 31.

The determination of whether an entity is recognized as a consolidated subsidiary is based on the Company's ownership of voting shares, including consideration of any shares contributed to the pension trusts. Although the Company retains the rights to vote the contributed shares, the rights to dispose of such shares are executed by the trustee. The equity in contributed shares to the pension trust is included in minority interests in the consolidated financial statements.

b. Foreign Currency Translation

Foreign currency financial statements have been translated in accordance with Statement of Financial Accounting Standards ("SFAS") 52, "Foreign Currency Translation." Pursuant to this statement, the assets and liabilities of foreign subsidiaries and associated companies are translated into Japanese yen at the respective year-end exchange rates. All income and expense accounts are translated at average rates of exchange. The resulting foreign currency translation adjustments, net of tax, are included in "Accumulated other comprehensive income (loss)." Foreign currency receivables and payables are translated into Japanese yen at year-end exchange rates and the resulting foreign exchange gains and losses are recognized and included in "Other–net" in the consolidated statements of operations.

c. Cash Equivalents

The Company and its subsidiaries define cash equivalents as short-term (original maturities of three months or less), highly liquid investments which are readily convertible to cash and have insignificant risk of changes in value, including short-term time deposits.

d. Inventories

Inventories are stated at the lower of cost, determined principally by the specific identification method, or market.

e. Marketable Securities and Other Investments

In accordance with SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company and its subsidiaries classify certain investments included in "Marketable securities" and "Other investments" by the ability and intent as held-to-maturity, trading or available-for-sale securities, and report held-to-maturity securities at amortized cost, trading securities at fair value with unrealized holding gains and losses included in earnings and available-for-sale securities at fair value with unrealized holding gains and losses included in "Accumulated other comprehensive income (loss)" in stockholders' equity on a net-of-tax basis. The cost of certain investments sold is determined using the moving-average cost method. The Company and its subsidiaries periodically review their investments for impairment to determine whether the fair value of held-to-maturity and available-for-sale securities has declined below cost and if such decline is believed to be other than temporary. If the decline in fair value is judged to be other than temporary, the cost basis of those securities is written down to fair value as a new cost basis. Whether the decline in value is other than temporary is determined by considering the severity (the extent to which fair value is below cost) and the duration (the period of time that a security has been impaired).

Non-marketable securities included in "Other investments" are reported at cost or the fair value if it is lower.

f. Investments in Associated Companies

The Company and its subsidiaries initially record investments in associated companies (generally, those in which the Company and its subsidiaries own 20% to 50% of the outstanding voting stocks) at cost and adjust the carrying amount of the investment to recognize their share of the undistributed earnings or losses of the associated companies after the date of acquisition. Under the equity method, the Company and its subsidiaries make adjustments to eliminate significant unrealized intercompany profits and to reduce the carrying amount of the investment by dividends received. The excess of the acquisition costs over the underlying equity in the net assets acquired is allocated first to identifiable assets or liabilities based on relative fair value at the date of acquisition. The unassigned residual amount is not amortized but tested for impairment at least annually.

g. Impaired Loans and Allowance for Doubtful Receivables

In accordance with SFAS 114, "Accounting by Creditors for Impairment of a Loan—an amendment of FASB Statements No. 5 and 15," and SFAS 118, "Accounting by Creditors for Impairment of a Loan—Income Recognition and Disclosures—an amendment of FASB Statement No. 114," the Company and its subsidiaries measure impairment for certain loans based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the underlying collateral if the loan is collateral dependent, and recognize an impairment by creating and adjusting a valuation allowance if the fair value of the loan is less than the recorded amount.

The Company and its subsidiaries recognize, principally using a cash basis method, interest income on the recorded investment in an impaired loan.

h. Long-lived Assets

In accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company and its subsidiaries perform an impairment test for a long-lived asset (asset group) to be held and used or to be disposed of other than by sale, using undiscounted expected future cash flows, whenever events or changes in circumstances indicate that some portion of the carrying amount of the asset (asset group) may not be recoverable. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the asset (asset group), an impairment loss is recognized as determined by the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value. A long-lived asset (asset group) to be disposed of by sale is reported at the lower of its carrying amount or fair value less cost to sell.

i. Depreciation

Depreciation of property and equipment (including property leased to others) is computed principally by the unit-of-production method for mineral rights, and by the straight-line method or the declining-balance method for property and equipment other than land, construction in progress and mineral rights, using rates based upon the estimated useful lives of the related property and equipment (6 to 65 years for Buildings, 2 to 25 years for Machinery and equipment, 2 to 20 years for Furniture and fixtures).

j. Goodwill and Other Intangible Assets

In accordance with SFAS 141, "Business Combinations," the Company and its subsidiaries account for all business combinations using the purchase method, and also have written guidance relating to the recognition of acquired intangible assets apart from goodwill. In accordance with SFAS 142, "Goodwill and Other Intangible Assets," the Company and its subsidiaries do not amortize goodwill regularly but perform an impairment test at the reporting unit level at least on an annual basis and between annual tests if an event occurs or circumstances change that would indicate that it is more likely than not that the fair value of a reporting unit is below its carrying amount. An intangible asset with a definite useful life is amortized over its estimated useful life and is reviewed for impairment in accordance with SFAS 144. An intangible asset determined to have an indefinite useful life is not amortized but is instead periodically tested for impairment in the same manner as goodwill.

k. Asset Retirement Obligations
In accordance with SFAS 143, "Accounting for Asset Retirement Obligations," the Company and its subsidiaries recognize the fair value of a tangible long-lived asset retirement obligation as a liability in the period in which it is incurred if a reasonable estimate of fair value can be made and capitalize the same amount in the cost of the related asset. Subsequently, the Company and its subsidiaries accrete the liability to its present value each period, and depreciate the capitalized cost over the useful life of the related asset.

l. Leases
The Company and its subsidiaries lease fixed assets under direct financing leases and operating leases as a lessor. Income from direct financing leases is recognized by amortizing unearned income over the lease term at a constant periodic rate of return on the net investment. Operating lease income is recognized over the lease term on a straight-line basis.

The Company and its subsidiaries lease fixed assets under capital leases and operating leases as a lessee. For capital lease obligations, interest expense is recognized over the lease term at a constant periodic rate on the lease obligation. Depreciation of the leased assets is recognized over the lease term on a straight-line basis. Rental expense on operating leases is recognized over the lease term on a straight-line basis.

m. Retirement and Severance Benefits
The Company and certain subsidiaries have defined benefit pension plans covering substantially all of their employees. The costs of the defined benefit pension plans are accrued based on amounts determined using actuarial methods, in accordance with SFAS 87 "Employers' Accounting for Pensions." In addition the Company and its subsidiaries recognize the funded status of a defined benefit pension plan—measured as the difference between plan assets at fair value and the projected benefit obligation—as an asset or a liability in its consolidated balance sheet. Net actuarial loss (gain) balance and prior service cost balance are required to be recognized as a component of "Accumulated other comprehensive income (loss)," net of tax in accordance with SFAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132 (R)."

n. Guarantees
In accordance with FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," the Company and its subsidiaries recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken for those guarantees newly issued or modified after December 31, 2002.

o. Revenue Recognition
The Company and its subsidiaries act as either principal or agent in their trading transactions for earning revenues. The Company and its subsidiaries recognize revenues from sales of products, the development of natural resources and the development and sale of real estate. In addition to these revenue transactions, the Company and its subsidiaries recognize revenues from supporting services, such as supporting customers' trading activities, leasing and software services activities. The Company and its subsidiaries recognize revenues at the time that revenues are realized or realizable and earned. Revenues are realized or realizable and earned when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) the goods have been delivered or the services have been rendered to customers, (3) the sales price is fixed or determinable and (4) collectibility is reasonably assured.

The Company and its subsidiaries recognize revenues from product sales, including wholesale, retail sales, manufactured product sales, processed product sales, the development of natural resources and the development and sale of real estate, at the time the delivery conditions agreed with customers are met. These conditions are usually considered to have been met when goods are received by the customer, the warehouse receipts are transferred or the acceptance from the customer is received. Depending on the nature of the contract, revenues from long-term construction are accounted for by the completed contract method unless estimates of costs to complete and the extent of progress toward completion of long-term contracts are reasonably dependable, in which case the Company and its subsidiaries use the percentage-of-completion method.

Transactions which derive revenues from service-related activities are originated in various fields, such as financial and logistics services, information, communications and technical support. The revenues are recognized when the contracted services have been rendered to the third-party customers pursuant to the arrangements. Transactions from other activities of the Company and its subsidiaries include software development and maintenance services and leasing of aircraft, real estate, industrial machinery and other assets. Revenues from other activities are recognized upon customer acceptance for software development, over the contractual period for software maintenance services and over the terms of the underlying leases on a straight-line basis for aircraft, real estate, industrial machinery and other assets.

Reporting Revenue Gross versus Net
In accordance with Emerging Issues Task Force ("EITF") 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," the Company and its subsidiaries present certain revenue transactions with corresponding cost of revenues on a gross basis as "Sales revenue" in the consolidated statements of operations, for transactions traded as a primary obligor in manufacturing, processing and service rendering and for sales with general inventory risk before customer orders. The revenues that are recognized

on a net basis are presented as "Trading margins and commissions on trading transactions" in the consolidated statements of operations.

Trading Transactions

"Total trading transactions," as presented in the consolidated statements of operations, is a measure commonly used by similar Japanese trading companies and represents gross transaction volume of the sales contracts in which the Company and its subsidiaries act as principal or agent. Total trading transactions in the consolidated statements of operations are presented in accordance with Japanese accounting practice, and are not meant as a substitute for sales or revenues in accordance with U.S. GAAP.

p. Costs Associated with Exit or Disposal Activities

In accordance with SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities," the Company and its subsidiaries recognize and measure a liability for the cost associated with exit or disposal activities at its fair value in the period when the liability is incurred rather than when an exit or disposal plan is committed.

q. Income Taxes

The Company and its subsidiaries utilize an asset and liability approach to accounting for income taxes in accordance with SFAS 109, "Accounting for Income Taxes."

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the tax basis of assets or liabilities and reported amounts in its financial statements, and net operating loss carryforwards. Deferred tax assets or liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings for the period that includes the enactment date. A valuation allowance is provided for the portion of a deferred tax asset for which it is more likely than not that a tax benefit will not be realized.

According to FIN 48 "Accounting for Uncertainty in Income Taxes—an interpretation of SFAS No. 109," the Company and its subsidiaries recognize the financial statement effects of tax positions when they are more likely than not, based on the technical merits, that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. Interest and penalties accrued related to unrecognized tax benefits are included in Income taxes in the consolidated statements of operation.

r. Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income by the weighted-average number of common shares outstanding (excluding treasury stock) for the period. Diluted net income per share is computed giving effect to all dilutive potential common shares that were outstanding during the period.

s. Comprehensive Income (Loss)

In accordance with SFAS 130, "Reporting Comprehensive Income," the Company and its subsidiaries report and present comprehensive income and loss and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. Comprehensive income and loss consists of not only net income or loss but also changes in foreign currency translation adjustments, pension liability adjustments, net unrealized holding gains and losses on certain investments in "Marketable securities" and "Other investments" and net unrealized holding gains and losses on derivative instruments, on a net-of-tax basis.

t. Derivative Instruments and Hedging Activities

In accordance with SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities—an amendment of FASB Statement No. 133," and SFAS 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities," the Company and its subsidiaries recognize all derivative instruments, such as foreign exchange contracts, interest rate swap contracts and commodity price contracts, in the financial statements measured at fair value, regardless of the purpose or intent for holding them, as either assets or liabilities.

The accounting for changes in fair value depends on the intended use of the derivative instruments and resulting hedge effectiveness. All derivative instruments are recognized on the balance sheet at their fair value. The Company and its subsidiaries designate and account for derivative instruments as follows:

- "Fair value hedge": a hedge of the fair value of a recognized asset or liability, or of an unrecognized firm commitment. The changes in fair value of recognized assets or liabilities, or unrecognized firm commitments and related derivative instruments that are designated and qualify as fair value hedges are recorded in earnings if the hedges are considered highly effective.
- "Cash flow hedge": a hedge of the variability of cash flow to be received or paid related to a forecasted transaction, or a recognized asset or liability. The changes in fair value of derivative instruments that are designated and qualify as cash flow hedges are recorded in "Accumulated other comprehensive income (loss)" if the hedges are considered highly effective. This treatment is continued until earnings are affected by the variability in cash flows to be received or paid related to the forecasted transactions or the recognized assets or liabilities designated as the hedged items. The ineffective portion of the hedge is currently reported in earnings.
- "Foreign currency hedge": a hedge of foreign-currency fair value or cash flow. The changes in fair value of

derivatives that are designated and qualify as foreign-currency fair value or cash flow hedges of recognized assets or liabilities, unrecognized firm commitments or forecasted transactions are recorded in either earnings or "Accumulated other comprehensive income (loss)" if the hedges are considered highly effective. Recognition in earnings or "Accumulated other comprehensive income (loss)" is dependent on the treatment of foreign currency hedges as fair value hedges or cash flow hedges.

The Company and its subsidiaries meet the documentation requirements as prescribed by SFAS 133 and SFAS 138, which include a statement of its risk management objective and the strategy for undertaking various hedge transactions.

In addition, a formal assessment is made at the hedge's inception and periodically thereafter at every quarter on an ongoing basis, as to whether the derivatives used in hedging activities are highly effective in offsetting changes in the fair values or cash flows of hedged items.

Hedge accounting is discontinued for ineffective hedges, if any. The changes in fair value of derivative instruments related to discontinued hedges are recognized in earnings currently.

The changes in fair value of derivative instruments for trading purposes are recorded in earnings.

u. Issuance of Stock by Subsidiaries or Associated Companies

With respect to the issuance of shares to a third party by a subsidiary or an associated company, the resulting gain or loss arising from the change in the Company's relative ownership interest is recorded in earnings in the period when such shares are issued.

v. Classification of Mineral Rights

In accordance with EITF 04-2, "Whether Mineral Rights Are Tangible or Intangible Assets," FASB Staff Position ("FSP") SFAS 141-1 and SFAS 142-1, "Interaction of FASB Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets," and EITF Issue No. 04-2, "Whether Mineral Rights Are Tangible or Intangible Assets," and FSP SFAS 142-2, "Application of FASB Statement No. 142, Goodwill and Other Intangible Assets, to Oil- and Gas- Producing Entities," all mineral rights held by mining and oil- and gas- producing entities have been presented as tangible assets on the consolidated balance sheets.

w. Use of Estimates

The Company and its subsidiaries make estimates and assumptions to prepare these financial statements. Such estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities, and actual results could differ from those estimates.

(3) New Accounting Pronouncements

a. Accounting for Uncertainty in Income Taxes

In June 2006, FIN 48, "Accounting for Uncertainty in Income Taxes—an interpretation of SFAS No. 109" was issued.

FIN 48 provides recognition and measurement of uncertainty in income taxes under understanding that there exists uncertainty in estimation of income taxes payable.

The effect of adoption of FIN 48 on the Company and its subsidiaries' financial position and results of operations was immaterial.

b. Fair Value Measurements

In September 2006, SFAS 157 "Fair Value Measurements" was issued.

SFAS 157 provides definition of "fair value" and applies the approach of categorizing fair value in accordance with three separate levels to reflect the degree of objectivity of estimates.

SFAS 157 is effective for fiscal years beginning after November 15, 2007 (that is, the fiscal year ended on March 31, 2009), and the effect on the Company and its subsidiaries' financial position and results of operations is currently under consideration. At present the effect cannot be reasonably estimated.

c. Fair Value Option

In February 2007, SFAS 159, "Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115" was issued.

SFAS 159 permits companies to measure the balance of financial instruments at fair value as of the date of balance sheet. Entities can choose either to use a fair value measurement or previous methods by respective financial instrument under certain constrains.

SFAS 159 is effective for fiscal years beginning after November 15, 2007 (that is, the fiscal year ended on March 31, 2009). The effect in relation to the financial position and operation results of the Company and its subsidiaries cannot be reasonably estimated in the event that the Company and its subsidiaries adopt the fair value option.

d. Business Combination

In December 2007, SFAS 141 (R) "Business Combination (Revised 2007)" was issued.

SFAS 141 (R) entails a change in approach from previous "purchase method" to "acquisition method" that focus acquisition of control regarding business combinations.

Further, SFAS 141 (R) introduces the approach to recognize of goodwill as well as for non-controlling interests.

SFAS 141 (R) is effective for fiscal years beginning on or after December 15, 2008, and the effect on the Company and its subsidiaries' financial position and results of operations is currently under consideration. At present the effect cannot be reasonably estimated.

e. Non-controlling Interests in Consolidated Financial Statements

In December 2007, SFAS 160 "Non-controlling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" was issued.

SFAS 160 changes minority interests, the previous designation, to non-controlling interests and adopts an approach of regarding non-controlling interests as a component of equity. Accordingly, the Company will change its presentation of consolidated financial statements. Further, purchases to increase interests or dispose of a portion of interests while maintaining control are capital transactions, and the Company will no longer recognize any gain or loss.

SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 (that is, the fiscal year ended on March 31, 2010), and the effect on the Company and its subsidiaries' financial position and results of operations is currently under consideration. At present the effect cannot be reasonably estimated.

f. Disclosures about Derivative Instruments and Hedging Activities

In March 2008, SFAS 161 "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133" was issued.

SFAS 161 enhances disclosures of derivative instruments and hedging activities, such as that of qualitative disclosures about objectives and strategies for using derivative instruments, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements.

SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008 (that is, the fourth quarter of Fiscal 2009), and the effect on the Company and its subsidiaries' financial disclosure is currently under consideration. At present the effect cannot be reasonably estimated.

(4) Reclassification

Certain reclassifications and changes have been made to prior year amounts to conform to the current year's presentation.

3. Business Combination

On June 29, 2006, the Company acquired an additional 28.3% of the voting shares of NIPPON ACCESS, INC. ("Nippon Access") through a tender offer in May, 2006, which is engaged in wholesale of foods, liquor and grocery. The investment has previously been accounted for by the equity method. After the acquisition, the Company's voting share increased to 60.6%, and Nippon Access became a subsidiary. By acquiring this controlling interest, the Company plans to accelerate the growth of competitive power and growth in the domestic food distribution industry, which clearly position Nippon Access as a core subsidiary.

The purchase price was determined by taking into consideration various factors, including Nippon Access's financial and asset profile researched by independent professionals and a thorough valuation analysis (Discount Cash Flow method, Multiple method, etc.) conducted by the financial advisor.

The consolidated financial statements for the year ended March 31, 2007 include the results of operations of Nippon Access from the date of acquisition.

In connection with the acquisition, ¥3,497 million and ¥20,434 million were assigned to intangible assets subject to amortization and goodwill, respectively. The intangible assets subject to amortization consist primarily of software of ¥3,089 million with an amortization period of five years. The goodwill is not deductible for tax purposes and has been assigned to the Food operating segment.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	Millions of Yen
	2007
Current assets	¥ 145,717
Property and equipment, at cost	37,967
Goodwill and other intangible assets, less accumulated amortization	23,931
Investments and other non-current assets	25,897
Fair value of assets acquired	233,512
Current liabilities	(182,659)
Non-current liabilities	(16,667)
Minority interests	(5,593)
Fair value of liabilities assumed	(204,919)
Acquisition costs of a subsidiary	¥ 28,593

4. Marketable Securities and Investments

Debt and Marketable Equity Securities

Debt and marketable equity securities included in "Marketable securities" and "Other investments" consist of trading, available-for-sale and held-to-maturity securities. The cost, gross unrealized holding gains, gross unrealized holding losses and fair value of available-for-sale and held-to-maturity securities by major security type as of March 31, 2008 and 2007 were as follows:

	Millions of Yen			
	2008			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Current:				
Available-for-sale:				
Debt securities	¥ 43,635	¥ —	¥ 10	¥ 43,625
Non-current:				
Available-for-sale:				
Equity securities	¥192,898	¥122,427	¥11,326	¥303,999
Debt securities	1,833	3	248	1,588
Total	194,731	122,430	11,574	305,587
Held-to-maturity:				
Debt securities	75	—	—	75
Total–Non-current	¥194,806	¥122,430	¥11,574	¥305,662

	Millions of Yen			
	2007			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Current:				
Available-for-sale:				
Debt securities	¥ 25,422	¥ —	¥ 1	¥ 25,421
Non-current:				
Available-for-sale:				
Equity securities	¥194,055	¥185,260	¥838	¥378,477
Debt securities	1,401	—	19	1,382
Total	195,456	185,260	857	379,859
Held-to-maturity:				
Debt securities	75	—	—	75
Total–Non-current	¥195,531	¥185,260	¥857	¥379,934

	Millions of U.S. Dollars			
	2008			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Current:				
Available-for-sale:				
Debt securities	$ 435	$ —	$ 0	$ 435
Non-current:				
Available-for-sale:				
Equity securities	$1,925	$1,222	$113	$3,034
Debt securities	18	0	2	16
Total	1,943	1,222	115	3,050
Held-to-maturity:				
Debt securities	1	—	—	1
Total–Non-current	$1,944	$1,222	$115	$3,051

The carrying amounts of available-for-sale debt securities included in cash and cash equivalents in the consolidated balance sheets were ¥43,372 million ($433 million) and ¥24,980 million as of March 31, 2008 and 2007, respectively.

In addition to the securities listed above, the Company and its subsidiaries held trading securities carried at fair value of ¥30,523 million ($305 million) and ¥30,720 million as of March 31, 2008 and 2007, respectively. The portion of net trading gains for the year that relates to trading securities still held at March 31, 2008, 2007 and 2006 were ¥2,014 million ($20 million), ¥877 million, and ¥2,594 million, respectively.

Securities with gross unrealized holding losses and the length of time that such individual securities have been in a continuous unrealized loss position as of March 31, 2008 were as follows:

	Millions of Yen					
	2008					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Current:						
Available-for-sale:						
Debt securities	¥ 81	¥ 10	¥—	¥—	¥ 81	¥ 10
Non-current:						
Available-for-sale:						
Equity securities	¥62,956	¥11,326	¥—	¥—	¥62,956	¥11,326
Debt securities	1,378	248	—	—	1,378	248
Total–Non-current	¥64,334	¥11,574	¥—	¥—	¥64,334	¥11,574

	Millions of U.S. Dollars					
	2008					
	Less than twelve months		Twelve months or longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Current:						
Available-for-sale:						
Debt securities	$ 1	$ 0	$—	$—	$ 1	$ 0
Non-current:						
Available-for-sale:						
Equity securities	$628	$113	$—	$—	$628	$113
Debt securities	14	2	—	—	14	2
Total–Non-current	$642	$115	$—	$—	$642	$115

At March 31, 2008, the Company and its subsidiaries held the securities of 109 issuers with an unrealized holding loss in its available-for-sale portfolio. The unrealized losses on these securities, consisted primarily of customers of various industries, were due principally to a decline in the stock market. The severity of decline in fair value below cost was 0.3% to 29.9% and the duration of the impairment was less than 9 months. As a result of evaluation of individual severity and duration of these securities and the prospects of the issuer, the Company and its subsidiaries concluded the fair value of these securities would recover in the near term. Based on that evaluation and the Company and its subsidiaries' intent and ability to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Company and its subsidiaries did not consider these investments to be other-than-temporarily impaired at March 31, 2008.

In accordance with EITF 91-5 "Nonmonetary Exchange of Cost-Method Investments," the Company and its subsidiaries recognized gains on the exchange of its investment securities in connection with certain business combinations amounting to ¥1,516 million ($15 million) and ¥3,490 million for the years ended March 31, 2008 and 2007, respectively, which are presented as part of "Gain on disposal of investments and marketable securities, net of write-down" in the consolidated statements of operations.

The contractual maturities of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2008 were as follows:

	Millions of Yen		Millions of U.S. Dollars	
	Cost	Fair Value	Cost	Fair Value
Available-for-sale:				
Due within one year	¥43,635	¥43,625	$435	$435
Due after one year through five years	130	132	1	1
Due after five years through ten years	1,649	1,404	16	14
Due after ten years	54	52	1	1
Total	¥45,468	¥45,213	$453	$451
Held-to-maturity:				
Due within one year	¥ —	¥ —	$ —	$ —
Due after one year through five years	75	75	1	1
Due after five years through ten years	—	—	—	—
Due after ten years	—	—	—	—
Total	¥ 75	¥ 75	$ 1	$ 1

The gross realized gains and losses on sales of available for-sale securities for the years ended March 31, 2008, 2007 and 2006 were gains of ¥13,661 million ($136 million), ¥22,692 million and ¥23,926 million, and losses of ¥13 million ($0.1 million), ¥66 million and ¥60 million, respectively. The proceeds from sales of available-for-sale securities were ¥19,779 million ($197 million), ¥35,705 million and ¥32,951 million for the years ended March 31, 2008, 2007 and 2006, respectively.

Investments Other Than Debt and Marketable Equity Securities

Other investments include investments in non-traded and unaffiliated customers and suppliers and long-term deposits amounting to ¥242,128 million ($2,417 million) and ¥252,593 million as of March 31, 2008 and 2007, respectively.

The Company and its subsidiaries believed that the carrying amounts of cost-method investments (non-marketable securities) approximated fair values. No events or changes in circumstances that will have a significant adverse effect on the fair value of the investments have been identified.

5. Investments in Associated Companies

Summarized financial information in respect of associated companies as of March 31, 2008 and 2007 and for the years ended March 31, 2008, 2007 and 2006 was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Current assets	**¥4,333,216**	¥4,431,771	**$43,250**
Non-current assets, principally property and equipment	**2,600,709**	2,684,717	**25,958**
Total assets	**¥6,933,925**	¥7,116,488	**$69,208**
Current liabilities	**¥3,343,920**	¥3,421,904	**$33,376**
Long-term debt and others	**2,525,498**	2,994,631	**25,207**
Stockholders' equity	**1,064,507**	699,953	**10,625**
Total liabilities and stockholders' equity	**¥6,933,925**	¥7,116,488	**$69,208**

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	**2008**
Total trading transactions	**¥7,724,465**	¥6,993,940	¥6,526,254	**$77,098**
Net income (loss)	**¥ 412,725**	¥ (374,905)	¥ 125,826	**$ 4,119**

Total trading transactions and purchases by the Company and its subsidiaries with associated companies for the years ended March 31, 2008, 2007 and 2006 were summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	**2008**
Total trading transactions	**¥806,445**	¥855,349	¥817,657	**$8,049**
Purchases	**¥198,681**	¥244,366	¥184,549	**$1,983**

Dividends received from associated companies for the years ended March 31, 2008, 2007 and 2006 were ¥14,794 million ($148 million), ¥19,780 million and ¥8,498 million, respectively.

The Company and its subsidiaries account for investments in associated companies (generally companies owned 20% to 50%) by the equity method. Significant equity method investees include Orient Corporation (32.1%), Century Leasing System, Inc. (20.1%), Marubeni-Itochu Steel Inc. (50.0%), FamilyMart Co., Ltd. (31.5%) and Isuzu Network Co., Ltd. (25.0%). The percentages shown parenthetically in the above sentence were voting shares held by the Company and its subsidiaries at March 31, 2008.

The Company and its subsidiaries invest in associated companies which issue convertible preference stocks. The Company and its subsidiaries' shares of reported profits and losses might be diluted by possible conversions of those preference stocks, and accordingly there might be material effects in the results of operation of the Company and its subsidiaries.

Investments in the common stock of equity-method associated companies include marketable equity securities in the carrying amounts of ¥319,582 million ($3,190 million) and ¥286,764 million at March 31, 2008 and 2007, respectively. Corresponding aggregate quoted market values were ¥264,207 million ($2,637 million) and ¥377,416 million at March 31, 2008 and 2007, respectively.

The differences between the carrying amount of the investments in equity-method associated companies and the Company and its subsidiaries' equity in the underlying net assets of such equity-method associated companies were ¥205,007 million ($2,046 million) and ¥169,479 million at March 31, 2008 and 2007, respectively. The differences consist of certain fair value adjustments (net of taxes) at the time of the investments in equity-method associated companies and equity-method goodwill. The fair value adjustments are primarily attributed to land and intangible assets.

For the year ended March 31, 2008, the Company recorded a ¥26,170 million ($261 million) impairment loss on the equity method investment in Orient Corporation ("Orico"). The loss included in "Equity in earnings (losses) of associated companies" in the accompanying consolidated statements of operations represents the difference between the carrying amount of the investment in Orico and estimated fair value. The estimated fair value was determined by the Company by applying the discounted cash flow analysis prepared by third party appraisers using the best-estimated future cash flow available, and with reference to the quoted market price of Orico's publicity traded common stock and potential dilution of the preferred stocks issued by Orico.

6. Impaired Loans and Allowance for Doubtful Receivables

An analysis of the changes in the allowance for doubtful receivables for the years ended March 31, 2008, 2007 and 2006 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	**2008**
Balance at beginning of year	**¥ 81,808**	¥121,355	¥163,451	**$ 817**
Provision for doubtful receivables	**5,977**	4,934	14,728	**60**
Charge-offs	**(15,797)**	(47,560)	(67,231)	**(158)**
Other	**(3,040)**	3,079	10,407	**(30)**
Balance at end of year	**¥ 68,948**	¥ 81,808	¥121,355	**$ 689**

Note: "Other" consisted primarily of the effects due to changes in the number of consolidated subsidiaries and changes in foreign currency exchange-rates.

The carrying amounts of impaired loans within the scope of SFAS 114 and the allowance for doubtful receivables related to those impaired loans as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Impaired loans	**¥68,264**	¥71,246	**$681**
Allowance for doubtful receivables related to those impaired loans	**¥51,167**	¥61,750	**$511**

The recorded investment in the impaired loans, net of the allowance for doubtful receivables, is either secured by collateral or believed to be collectible.

The average amounts of impaired loans during the years ended March 31, 2008, 2007 and 2006 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	**2008**
Average amounts of impaired loans	**¥69,755**	¥87,999	¥144,159	**$696**

The amounts of interest income recognized on the impaired loans for the years ended March 31, 2008, 2007 and 2006 were not significant.

7. Impairment of Long-lived Assets

The Company and its subsidiaries recognized impairment losses on long-lived assets of ¥5,932 million ($59 million), ¥7,493 million and ¥12,855 million for the years ended March 31, 2008, 2007 and 2006, respectively, which were included in "Gain (loss) on property and equipment–net" in the consolidated statements of operations. The impaired assets were primarily golf courses in the Finance, Realty, Insurance & Logistics Services operating segment for the year ended March 31, 2008. The impairments were generally due to the deterioration of earnings of the golf courses. The impaired assets were primarily commercial land and buildings in the Finance, Realty, Insurance & Logistics Services operating segment for the year ended March 31, 2007. The impairments were generally due to the deterioration of earnings in relation to revisions of repair plans of buildings and changes to lease agreement conditions. The impaired assets were primarily commercial rental buildings in the Finance, Realty, Insurance & Logistics Services operating segment and land in the Other, Adjustments & Eliminations operating segment for the year ended March 31, 2006. The impairments were generally due to the deterioration of rents for commercial buildings and to the decline in the market value of land.

The fair values of long-lived assets were primarily determined based on discounted cash flows or independent appraisals by third parties.

Impairment losses recognized for the years ended March 31, 2008, 2007, and 2006 by operating segment were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	**2008**
Textile	**¥ 56**	¥ 425	¥ 258	**$ 1**
Machinery	**62**	206	390	**1**
Aerospace, Electronics & Multimedia	**56**	22	1,162	**1**
Chemicals, Forest Products & General Merchandise	**110**	181	581	**1**
Food	**886**	514	150	**8**
Finance, Realty, Insurance & Logistics Services	**4,635**	6,145	7,578	**46**
Other, Adjustments & Eliminations	**127**	—	2,736	**1**
Total	**¥5,932**	¥7,493	¥12,855	**$59**

8. Pledged Assets

The following assets were pledged as collateral at March 31, 2008 and 2007:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Cash and cash equivalents and time deposits	**¥ 285**	¥ 273	**$ 3**
Marketable securities	**70**	105	**1**
Trade receivables	**13,842**	17,743	**138**
Inventories	**4,076**	4,524	**40**
Investments and non-current receivables	**18,326**	46,311	**183**
Property and equipment, at cost, less accumulated depreciation	**29,725**	44,000	**297**
Total	**¥66,324**	¥112,956	**$662**

Collateral was pledged to secure the following obligations at March 31, 2008 and 2007:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Short-term debt	**¥ 9,789**	¥15,524	**$ 97**
Long-term debt	**15,703**	44,678	**157**
Guarantees of contracts and others	**8,086**	15,243	**81**
Total	**¥33,578**	¥75,445	**$335**

In addition, acceptances payable were secured by trust receipts on merchandise and the proceeds from the sale thereof. Because of the large volume of import transactions, the amount of such assets pledged is not determinable.

Both short-term and long-term loans are generally made pursuant to agreements which customarily provide that, upon the request of the lender, collateral or guarantors (or additional collateral or guarantors) will be furnished with respect to the loans under certain circumstances and that the lender may treat any collateral, whether furnished for specific loans or otherwise, as collateral for present and future indebtedness to such lender. Several of the bank loan agreements also provide that the lending bank has the right to offset cash deposited with it against any debt (including debt arising out of contingent obligations) to the bank that has become due at stated maturity or earlier.

9. Goodwill and Other Intangible Assets

Intangible assets subject to amortization at March 31, 2008 and 2007 comprised the following:

	Millions of Yen				Millions of U.S. Dollars	
	2008		2007		**2008**	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trademarks	**¥ 41,469**	**¥(12,499)**	¥23,683	¥(11,373)	**$ 414**	**$(125)**
Software	**47,250**	**(26,688)**	44,939	(26,632)	**471**	**(266)**
Other	**25,902**	**(8,987)**	20,590	(6,916)	**259**	**(90)**
Total	**¥114,621**	**¥(48,174)**	¥89,212	¥(44,921)	**$1,144**	**$(481)**

Intangible assets subject to amortization that were acquired during the year ended March 31, 2008 totaled ¥15,791 million ($158 million), and consisted primarily of software of ¥9,786 million ($98 million). The weighted average amortization period for software that was acquired during the year ended March 31, 2008 was 5 years. Software is generally amortized using the straight-line method.

An impairment loss of ¥1,034 million ($10 million) was recognized for customer contracts, a component of intangible assets subject to amortization, held by MCL Group Limited (U.K.), which operates warehousing, retail and financing of motor vehicles.

The aggregate amortization expenses for intangible assets for the years ended March 31, 2008, 2007 and 2006 were ¥11,446 million ($114 million), ¥12,578 million and ¥12,789 million, respectively.

The estimated aggregate amortization expense for intangible assets for the next five years is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2009	¥11,919	$119
2010	9,062	90
2011	5,459	54
2012	3,421	34
2013	1,565	16

The carrying amount of intangible assets with indefinite useful lives which are therefore not subject to amortization comprised the following at March 31, 2008 and 2007:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Trademarks	**¥1,576**	¥20,644	**$16**
Unlimited land lease	**110**	1,000	**1**
Other	**2,081**	2,154	**21**
Total	**¥3,767**	¥23,798	**$38**

Intangible assets with indefinite useful lives which are not subject to amortization were acquired during the year ended March 31, 2008, and mainly consisted of trademarks of ¥1,022 million ($10 million).

Based on valuations prepared by third-party appraisers, the Company and its subsidiaries determined useful lives of certain brand-related trademarks reflecting the pattern in which the economic benefits of the brand-related trademarks were consumed. As a result, the Company and its subsidiaries categorized the brand-related trademarks into Intangible assets subject to amortization at the beginning of the year ended March 31, 2008. Concerning the brand-related trademarks, the gross carrying amount was ¥20,184 million ($201 million) and the estimated useful lives were from 21 years to 28 years.

The changes in the carrying amounts of goodwill by operating segment during the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen								
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Balance at March 31, 2006	¥236	¥ 6,362	¥27,865	¥ —	¥ 8,460	¥ —	¥ 256	¥3,910	¥47,089
Acquired	—	129	6,903	1,042	2,355	20,434	1,577	111	32,551
Impairment losses	—	—	—	—	—	—	—	(190)	(190)
Other changes (Note)	(236)	268	(4)	22	469	—	2	(85)	436
Balance at March 31, 2007	—	6,759	34,764	1,064	11,284	20,434	1,835	3,746	79,886
Acquired	**—**	**675**	**1,214**	**—**	**—**	**—**	**—**	**626**	**2,515**
Impairment losses	**—**	**(1,407)**	**—**	**—**	**(1,824)**	**—**	**—**	**—**	**(3,231)**
Other changes (Note)	**—**	**(974)**	**—**	**(44)**	**(953)**	**—**	**(10)**	**521**	**(1,460)**
Balance at March 31, 2008	**¥ —**	**¥ 5,053**	**¥35,978**	**¥1,020**	**¥ 8,507**	**¥20,434**	**¥1,825**	**¥4,893**	**¥77,710**

Note: "Other changes" primarily consists of translation adjustments and reclassification from (to) other accounts.

	Millions of U.S. Dollars							
	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other	Total
Balance at March 31, 2007	$ 67	$347	$11	$113	$204	$18	$37	$797
Acquired	**7**	**12**	**—**	**—**	**—**	**—**	**6**	**25**
Impairment losses	**(14)**	**—**	**—**	**(18)**	**—**	**—**	**—**	**(32)**
Other changes (Note)	**(10)**	**—**	**(1)**	**(10)**	**—**	**(0)**	**6**	**(15)**
Balance at March 31, 2008	**$ 50**	**$359**	**$10**	**$ 85**	**$204**	**$18**	**$49**	**$775**

Note: "Other changes" primarily consists of translation adjustments and reclassification from (to) other accounts.

As a result of testing for impairment of goodwill, impairment losses amounting to ¥3,231 million ($32 million), ¥190 million and ¥379 million, respectively, were recognized during the years ended March 31, 2008, 2007 and 2006. The impairment losses of goodwill were included in "Other–net" in the consolidated statements of operations.

An impairment loss in Machinery segment was recognized by the above-mentioned MCL Group Limited (U.K.), and an impairment loss in Chemicals, Forest Products & General Merchandise segment was recognized by Am-Pac Tire Distributions Inc. (U.S.A.) which operated wholesale and retail of tires.

10. Short-term and Long-term Debt

"Short-term debt" at March 31, 2008 and 2007 was as follows:

	Millions of Yen	Interest Rate	Millions of Yen	Interest Rate	Millions of U.S. Dollars
	2008		2007		2008
Short-term loans, mainly from banks	¥264,462	5.1%	¥373,723	3.4%	$2,640
Commercial paper	42,984	0.7%	—	—	429

Note: The interest rates represent weighted average rates on outstanding balances at March 31, 2008 and 2007.

"Long-term debt" at March 31, 2008 and 2007 is summarized below:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Banks and financial institutions:			
Secured:			
Japan Bank for International Cooperation,			
due 2007-2012, interest mainly 2.6%-5.5%	¥ 529	¥ 5,303	$ 5
Other,			
due 2007-2027, interest mainly 0.6%-8.3%	15,174	39,375	152
Unsecured:			
Due 2007-2025,			
interest mainly 0.4%-12.5%	1,569,948	1,553,434	15,669
Debentures:			
Unsecured bonds and notes:			
Issued in 1997, 2.45% Yen Bonds due 2009	10,000	10,000	100
Issued in 1998, 3.10% Yen Bonds due 2008	30,000	30,000	299
Issued in 1998, 3.00% Yen Bonds due 2008	10,000	10,000	100
Issued in 1999, 3.19% Yen Bonds due 2009	10,000	10,000	100
Issued in 2003, 0.79% Yen Bonds due 2008	15,000	15,000	150
Issued in 2003, 0.87% Yen Bonds due 2010	10,000	10,000	100
Issued in 2003, 0.47% Yen Bonds due 2007	—	10,000	—
Issued in 2003, 1.14% Yen Bonds due 2008	10,000	10,000	100
Issued in 2004, 1.04% Yen Bonds due 2009	10,000	10,000	100
Issued in 2004, 0.54% Yen Bonds due 2007	—	10,000	—
Issued in 2004, 1.30% / 2.55% Yen Bonds due 2014 (note 1)	10,000	10,000	100
Issued in 2005, 1.46% Yen Bonds due 2012	10,000	10,000	100
Issued in 2006, 2.17% Yen Bonds due 2016	15,000	15,000	150
Issued in 2006, 2.09% Yen Bonds due 2016	10,000	10,000	100
Issued in 2007, 2.11% Yen Bonds due 2017	10,000	10,000	100
Issued in 2007, 2.02% Yen Bonds due 2017	10,000	—	100
Issued in 2007, 1.99% Yen Bonds due 2017	10,000	—	100
Issued in 2007, 1.90% Yen Bonds due 2017	10,000	—	100
Issued in and after 1999,			
Medium-Term Notes (2.70%), etc., maturing through 2009	15,131	17,055	148
Others	174,149	147,744	1,739
Total	1,964,931	1,942,911	19,612
SFAS 133 fair value adjustment (note 2)	6,174	(3,261)	62
Total	1,971,105	1,939,650	19,674
Less current maturities	(76,017)	(144,317)	(759)
Long-term debt, less current maturities	¥1,895,088	¥1,795,333	$18,915

Note: 1. The bond, one-time callable, bears interest at the rate of 1.30% until November 25, 2009 then 2.55% from November 25, 2009 until the maturity date. The Company has a right to redeem the full amount of the outstanding balance on November 25, 2009.

2. SFAS 133 fair value adjustment: The amount of adjustment to record the fair value as of the balance sheet date for long-term debt which is hedged with derivatives, in accordance with SFAS 133.

Certain agreements with the Japan Bank for International Cooperation ("JBIC") require the following:

(1) The Company applies all or a portion of its operating income or the proceeds from the sale of any debentures or common stock to the reduction of outstanding loans when JBIC believes that the Company is able to reduce such loans through increased earnings.

(2) JBIC may request that any proposed distribution of earnings be submitted to the JBIC for review before presentation to the stockholders.

The Company has never received such a request and does not expect that any such request will be made.

The Company and certain subsidiaries have entered into interest rate swap agreements for certain long-term debt as a means of managing their interest rate exposure.

Reference is made to note 8 "Pledged Assets" for a description of collateral and certain customary provisions of long-term and short-term bank loan agreements relating to collateral and other rights of such lenders.

The aggregate annual maturities of long-term debt after March 31, 2008 are as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2009	¥ 76,017	$ 759
2010	332,995	3,324
2011	223,809	2,234
2012	174,760	1,744
2013	259,031	2,585
2014 and thereafter	904,493	9,028
Total	¥1,971,105	$19,674

The Company has borrowing arrangements with many financial institutions and has entered into commitment line agreements with certain banks for working capital needs and stable funding. The amounts of the Japanese Yen facility available under such agreements aggregated ¥400,000 million ($3,992 million), consisting of ¥100,000 million ($998 million) for short-term debt and ¥300,000 million ($2,994 million) for long-term debt, at March 31, 2008, and ¥400,000 million, consisting of ¥100,000 million for short-term debt and ¥300,000 million for long-term debt, at March 31, 2007, respectively. The amount of the U.S. dollar facility of $500 million was held for short-term debt at March 31, 2008 and at March 31, 2007. The Company intends that the long-term commitment line agreements be used solely in support of refinancing the current maturities of long-term debt. Since the agreements demonstrate the Company's ability to refinance and the Company has expressed an intention to do so, the Company has classified ¥232,385 million ($2,319 million) and ¥144,370 million of the current maturities of long-term debt from current liabilities into non-current liabilities at March 31, 2008 and March 31, 2007, respectively. The classified ¥232,385 million ($2,319 million) is included in "2014 and thereafter." The Company has consistently refinanced the current maturities of long-term debt classified into non-current liabilities for more than five years. The short-term commitment agreements were unused at March 31, 2008 and 2007 respectively.

The Company had a loan agreement with a commitment line of ¥45,000 million, of which ¥36,000 million was used and ¥9,000 million was unused, at March 31, 2007. The Company had no loan agreement with a commitment line, at March 31, 2008.

11. Asset Retirement Obligations

The Company and its subsidiaries account for asset retirement obligations, consisting of the costs related to dismantlement of facilities and mine reclamation, based on SFAS 143, "Accounting for Asset Retirement Obligations," and FIN 47, "Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB Statement No. 143." The asset retirement obligations are principally related to the costs of dismantlement of coal mining, iron-ore mining and crude oil drilling facilities. These liabilities are included in "Long-term debt, excluding current maturities" on the consolidated balance sheets.

The changes in asset retirement obligations for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Balance at beginning of year	**¥16,222**	¥10,541	**$162**
Liabilities incurred	**7,215**	1,511	**72**
Liabilities settled	**(1,562)**	(664)	**(16)**
Accretion expense	**1,210**	1,080	**12**
Revisions to cost estimate	**(758)**	2,261	**(7)**
Other	**(759)**	1,493	**(8)**
Balance at end of year	**¥21,568**	¥16,222	**$215**

Note: "Other" includes foreign currency translation adjustments.

12. Leases

Lessor

The Company and certain subsidiaries lease automobiles, furniture and equipment for medical institutions and certain other assets, which are classified as direct financing leases under SFAS 13, "Accounting for Leases."

The components of the net investment in direct financing leases as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Total minimum lease payments to be received	**¥10,653**	¥10,977	**$106**
Less unearned income	**(1,823)**	(1,639)	**(18)**
Estimated unguaranteed residual value	**51**	284	**0**
Less allowance for doubtful receivables	**(225)**	(497)	**(2)**
Net investment in direct financing leases	**¥ 8,656**	¥ 9,125	**$ 86**

The schedule of future minimum lease payments to be received from direct financing leases for each of the five succeeding years and thereafter as of March 31, 2008 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2009	¥ 3,338	$ 33
2010	2,732	27
2011	1,997	20
2012	1,456	15
2013	785	8
2014 and thereafter	345	3
Total	¥10,653	$106

The Company and certain subsidiaries lease aircraft, real estate, industrial machinery and certain other assets under operating leases. The cost and accumulated depreciation of the property held for lease as of March 31, 2008 were ¥20,866 million ($208 million) and ¥7,749 million ($77 million), respectively. The schedule of minimum future rentals on noncancelable operating leases for each of the five succeeding years and thereafter as of March 31, 2008 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2009	¥ 6,296	$ 63
2010	3,813	38
2011	3,233	32
2012	2,626	26
2013	1,998	20
2014 and thereafter	3,444	35
Total	¥21,410	$214

Lessee

The Company and certain subsidiaries lease buildings, industrial machinery and other machinery and equipment under agreements, which are classified as capital leases. The cost and accumulated depreciation of such leased assets were ¥39,669 million ($396 million) and ¥16,116 million ($161 million), respectively, as of March 31, 2008 and ¥43,562 million and ¥18,165 million, respectively, as of March 31, 2007. The components of the capital lease obligations as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Total minimum lease payments	**¥33,133**	¥35,431	**$331**
Less amount representing interest	**(4,967)**	(4,637)	**(50)**
Capital lease obligations	**¥28,166**	¥30,794	**$281**

The schedule of future minimum lease payments for each of the five succeeding years and thereafter as of March 31, 2008 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2009	¥ 6,084	$ 61
2010	5,072	51
2011	4,969	50
2012	3,255	32
2013	2,438	24
2014 and thereafter	11,315	113
Total	¥33,133	$331

The total of minimum sublease rentals to be received in the future under noncancelable subleases, which correspond to future minimum lease payments under capital leases, is ¥3,917 million ($39 million).

The Company and certain subsidiaries lease aircraft, real estate and certain other assets under agreements which are classified as operating leases. The schedule of future minimum lease payments under noncancelable operating leases for each of the five succeeding years and thereafter as of March 31, 2008 is as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2009	¥21,736	$217
2010	16,425	164
2011	11,445	114
2012	9,188	92
2013	7,059	70
2014 and thereafter	27,410	274
Total	¥93,263	$931

The total of minimum sublease rentals to be received in the future under noncancelable subleases, which correspond to future minimum lease payments under noncancelable operating leases, is ¥8,447 million ($84 million).

13. Retirement and Severance Benefits

The Company and certain subsidiaries have defined benefit pension plans (e.g., the Corporate Pension Fund ("CPF") and the Tax-Qualified Pension Plan) covering substantially all of their employees. Benefits under these pension plans are based on years of service and certain other factors, and plan assets are comprised primarily of marketable securities, debt securities and other interest-bearing securities. In addition, the Company and certain subsidiaries have both unfunded retirement and severance plans, which provide lump-sum payment benefits to their employees and defined contribution plans.

Certain subsidiaries and associated companies participate in a multiemployer plan (ITOCHU Union Pension Fund). During the year ended March 31, 2007, the Company withdrew a portion of the excess plan assets because the fair value of the plan assets constantly exceeded the projected benefit obligation. The fair value of the marketable securities and cash that the Company withdrew were ¥27,742 million and ¥12,258 million, respectively, for the year ended March 31, 2007.

The Company and its subsidiaries use a measurement date of March 31 for the majority of their plans.

On March 31, 2007, the Company and its subsidiaries adopted the recognition and related disclosure provisions of SFAS 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No.87, 88, 106 and 132 (R)." SFAS 158 required the Company and its subsidiaries to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans on their consolidated balance sheet as of the end of the fiscal year. The actuarial loss and prior service cost are included in accumulated other comprehensive income (loss), net of tax.

The changes in the benefit obligations and fair value of the plan assets and the funded status of the plans were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Change in projected benefit obligations:			
Projected benefit obligations at beginning of year	¥299,313	¥287,105	$2,987
Service cost	8,965	9,171	89
Interest cost	6,182	5,677	62
Plan participants' contributions	635	636	6
Net actuarial gain (loss)	(237)	3,685	(2)
Benefits paid from plan asset	(14,447)	(12,866)	(144)
Benefits paid by employer	(4,110)	(5,328)	(41)
Foreign currency translation adjustments	(249)	1,812	(2)
Acquisition	—	10,467	—
Settlement and curtailment	(827)	(996)	(8)
Other	(192)	(50)	(2)
Projected benefit obligations at end of year	295,033	299,313	2,945
Change in plan assets:			
Fair value of plan assets at beginning of year	363,745	398,534	3,631
Actual return (loss) on plan assets	(47,716)	3,949	(476)
Employer contributions	3,552	4,948	35
Partial withdrawal of plan assets	—	(40,000)	—
Plan participants' contributions	635	636	6
Benefits paid from plan assets	(14,447)	(12,866)	(145)
Translation adjustments	(214)	1,461	(2)
Acquisition	—	7,083	—
Settlement and curtailment	(47)	—	(0)
Fair value of plan assets at end of year	305,508	363,745	3,049
Funded status at end of year	¥ 10,475	¥ 64,432	$ 104

Amounts recognized in the consolidated balance sheets at March 31, 2008 and 2007 consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Prepaid pension cost	¥ 30,077	¥ 86,180	$ 300
Accrued retirement and severance benefits	(19,602)	(21,748)	(196)
	¥ 10,475	¥ 64,432	$ 104

Amounts recognized in accumulated other comprehensive income (loss), pre-tax, at March 31, 2008 and 2007 consisted of:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Net actuarial loss	¥156,505	¥105,985	$1,562
Prior service credit	(34,010)	(39,518)	(339)
	¥122,495	¥ 66,467	$1,223

The estimated amounts of net actuarial loss and prior service credit for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic pension cost for the next fiscal year are approximately ¥10,000 million ($100 million) (loss) and ¥5,000 million ($50 million) (gain), respectively.

The accumulated benefit obligations for all defined benefit plans at end of years were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Accumulated benefit obligation	¥294,082	¥298,336	$2,935

Assumptions of projected benefit obligations and net periodic pension costs as of March 31, 2008 and 2007 were as follows:

	2008	2007
Weighted-average assumptions used to determine benefit obligations at the end of year:		
Discount rate	2.3%	2.1%
Rate of compensation increase	1.0–6.0%	1.1–7.5%
Weighted-average assumptions used to determine net periodic pension cost for the year:		
Discount rate	2.1%	2.2%
Expected long-term rate of return on plan assets	2.6%	2.2%
Rate of compensation increase	1.1–7.5%	1.9–6.0%

The prior service cost is amortized by the straight-line method over the average remaining service period of employees expected to receive related benefits. The net actuarial gain and loss is amortized by the straight-line method over the average remaining service periods.

The fair value of equity securities of subsidiaries and associated companies included in plan assets was ¥6,572 million ($66 million) and ¥12,069 million at March 31, 2008 and 2007, respectively.

The net periodic pension costs for retirement and severance benefits for the years ended March 31, 2008, 2007 and 2006 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Service cost	¥ 8,965	¥ 9,171	¥ 7,170	$ 89
Interest cost	6,182	5,677	6,447	62
Expected return on plan assets	(8,724)	(9,036)	(8,184)	(86)
Amortization of unrecognized prior service cost	(5,700)	(5,333)	(4,895)	(57)
Amortization of unrecognized net actuarial loss	5,855	5,539	8,715	58
Settlement curtailment loss (gain)	(906)	(739)	—	(9)
Net periodic pension cost	¥ 5,672	¥ 5,279	¥ 9,253	$ 57

Total expenses related to pension plans for the years ended March 31, 2008, 2007 and 2006 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Net periodic pension cost for defined benefit pension plans	¥5,672	¥5,279	¥ 9,253	$57
The amount of cost recognized for defined contribution pension plans	1,360	885	1,075	13
Total expenses for pension plans	¥7,032	¥6,164	¥10,328	$70

The amount of contribution to the multi employer plan (ITOCHU Union Pension Fund) was ¥4,242 million ($42 million) and ¥3,188 million for the years ended March 31, 2008 and 2007, respectively.

Plan assets of the Company and certain subsidiaries by asset category as of March 31, 2008 and 2007 and target allocation percentages were as follows:

	2008	2007	Target Allocation
Asset category:			
Equity securities	**45.1%**	48.5%	45.5%
Debt securities	**33.7**	30.7	40.1
Cash	**9.6**	7.7	6.4
Other	**11.6**	13.1	8.0
Total	**100.0%**	100.0%	100.0%

Note: "Other" mainly included life insurance company general accounts.

In setting its portfolio investment policy for plan assets, the Company, on a long-term basis, focuses on securing investment returns that are sufficient to provide for the future benefit payments for employees in the context of a tolerable level of risk control. In order to achieve the objectives of the investment policy, the Company establishes the most appropriate portfolio considering the past return results as well as the estimated returns on invested assets and manages the portfolio by considering the operations.

In addition, the Company determines its expected long-term rate of return considering the above investment policy, the expectations of future returns and historical returns on plan assets.

Cash Flow of the Company and Certain Subsidiaries: The Company and certain subsidiaries expect to contribute about ¥1,500 million ($15 million) to defined benefit pension plans in the year ending March 31, 2009.

The following benefit payments, which reflect expected future service, are expected to be paid:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2009	¥13,630	$136
2010	13,974	139
2011	14,276	142
2012	14,487	145
2013	14,019	140
2014-2018	67,555	674

14. Foreign Exchange Gains and Losses

Net foreign exchange losses of ¥631 million ($6 million), gains of ¥2,153 million and ¥2,774 million for the years ended March 31, 2008, 2007 and 2006, respectively, were included in "Other–net" in the consolidated statements of operations.

15. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate result in a normal income tax rate of approximately 41%.

Foreign subsidiaries are subject to income taxes of the countries where they operate.

Effective for the year ended March 31, 2003, the Company adopted a consolidated taxation system.

A reconciliation between the normal income tax rate and the effective income tax rate for the years ended March 31, 2008, 2007 and 2006 is as follows:

	2008	2007	2006
Normal income tax rate	**41.0%**	41.0%	41.0%
Expenses not deductible for tax purposes	**1.3**	0.9	1.0
Difference of tax rates for foreign subsidiaries	**(4.2)**	(2.4)	(2.5)
Tax effect on dividends received	**0.8**	(1.2)	2.3
Valuation allowance	**(0.5)**	(3.4)	1.1
Tax effect on investments in equity-method associated companies	**6.0**	(6.5)	3.8
Other	**(1.2)**	1.2	2.6
Effective income tax rate	**43.2%**	29.6%	49.3%

Amounts provided for income taxes for the years ended March 31, 2008, 2007 and 2006 were allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Income taxes	**¥122,000**	¥ 88,926	¥106,923	**$1,218**
Cumulative effect of an accounting change	**—**	—	(1,474)	**—**
Other comprehensive (income) loss	**(56,018)**	17,571	30,770	**(559)**
Adjustment to initially apply SFAS No. 158	**—**	(25,623)	—	**—**
Total income tax (benefit) expense	**¥ 65,982**	¥ 80,874	¥136,219	**$ 659**

Significant components of deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Deferred tax assets:			
Inventories, property and equipment	**¥ 92,219**	¥ 109,301	**$ 920**
Allowance for doubtful receivables	**11,952**	12,464	**119**
Net operating loss carryforwards	**15,291**	9,879	**152**
Accrued retirement and severance benefits	**40,273**	23,654	**403**
Marketable securities and investments	**88,011**	93,766	**878**
Other	**40,770**	37,192	**407**
Total deferred tax assets	**288,516**	286,256	**2,879**
Less valuation allowance	**(61,138)**	(56,305)	**(610)**
Deferred tax assets–net	**227,378**	229,951	**2,269**
Deferred tax liabilities:			
Accrued retirement and severance benefits	**(45,640)**	(46,423)	**(455)**
Marketable securities and investments	**(54,591)**	(86,130)	**(545)**
Undistributed earnings	**(28,121)**	(26,532)	**(281)**
Property, equipment and other intangible assets	**(20,542)**	(20,077)	**(205)**
Other	**(18,559)**	(8,976)	**(185)**
Total deferred tax liabilities	**(167,453)**	(188,138)	**(1,671)**
Net deferred tax assets	**¥ 59,925**	¥ 41,813	**$ 598**

Net changes in the valuation allowance for the years ended March 31, 2008, 2007 and 2006 were an increase of ¥4,833 million ($48 million), a decrease of ¥335 million and an increase of ¥1,801 million, respectively.

The amount of undistributed earnings of foreign subsidiaries for which no deferred tax liability has been provided aggregated ¥238,686 million ($2,382 million) and ¥191,279 million at March 31, 2008 and 2007, respectively. Most of the undistributed earnings of domestic subsidiaries are not considered to be a taxable temporary difference under present Japanese tax laws. It is not practicable to determine the deferred tax liability for undistributed earnings of foreign subsidiaries.

Net operating loss carryforwards are available to reduce future income taxes. If not utilized, such operating loss carryforwards expire as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 1,430	$ 14
Within 2 years	1,245	12
Within 3 years	796	8
Within 4 years	1,177	12
Within 5 years	4,964	50
After 5 to 10 years	15,748	157
After 10 to 15 years	2,692	27
After 15 years	12,943	129
Total	¥40,995	$409

"Income before income taxes, minority interests, equity in earnings (losses) of associated companies and cumulative effect of an accounting change" for the years ended March 31, 2008, 2007 and 2006 comprised the following:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	**2008**
The Company and its domestic subsidiaries	**¥147,930**	¥189,698	¥139,774	**$1,477**
Foreign subsidiaries	**134,777**	110,532	77,095	**1,345**
Total	**¥282,707**	¥300,230	¥216,869	**$2,822**

"Income taxes" for the years ended March 31, 2008, 2007 and 2006 comprised the following:

	Millions of Yen									Millions of U.S. Dollars		
	2008			2007			2006			**2008**		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
The Company and its domestic subsidiaries	**¥51,513**	**¥33,164**	**¥ 84,677**	¥47,901	¥ 9,756	¥57,657	¥40,725	¥41,111	¥ 81,836	**$514**	**$331**	**$ 845**
Foreign subsidiaries	**40,409**	**(3,086)**	**37,323**	32,360	(1,091)	31,269	24,507	580	25,087	**404**	**(31)**	**373**
Total	**¥91,922**	**¥30,078**	**¥122,000**	¥80,261	¥ 8,665	¥88,926	¥65,232	¥41,691	¥106,923	**$918**	**$300**	**$1,218**

The Company and its subsidiaries adopted the provisions of FIN No. 48 "Accounting for Uncertainty in Income Taxes–Interpretation of SFAS No. 109," on April 1, 2007. As a result of the implementation of FIN No. 48, the Company and its subsidiaries recognized unrecognized tax benefit of ¥4,544 million ($45 million) , however no adjustment of consolidated retained earnings as of the beginning of Fiscal 2008 was to be recognized.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Millions of Yen	Millions of U.S. Dollars
	2008	2008
Balance at April 1, 2007	¥ 4,544	$ 45
Additions based on tax positions related to the current year	236	2
Additions for tax positions of prior years	14	0
Reductions for tax positions of prior years	(2,144)	(21)
Reductions as a result of a lapse of the applicable statute of limitations	(153)	(1)
Settlements	(661)	(7)
Effects on foreign currency translation	(89)	(1)
Balance at March 31, 2008	¥ 1,747	$ 17

Total amount of unrecognized tax benefits that would reduce the effective tax rate, if recognized, is ¥1,328 million ($13 million).

Although the Company and its subsidiaries believe its estimates and assumptions of unrecognized tax benefits are reasonable, uncertainty regarding the final determination of tax audit settlements and any related litigation could affect the effective tax rate in the future periods.

Based on each of the items of which the Company and its subsidiaries are aware at March 31, 2008, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

The Company and its subsidiaries recognize interest and penalties accrued related to unrecognized tax benefits in Income taxes in the consolidated statements of operations. Both interest and penalties accrued as of March 31, 2008 and interest and penalties included in income taxes for the year ended March 31, 2008 are not material.

The Company and its subsidiaries file income tax returns in Japan and various foreign tax jurisdictions. In Japan, the Company and its subsidiaries understand that regular income tax examinations by the tax authority up to fiscal year of 2006 have been substantially finished except that of transfer pricing. However according to the income tax regulation in Japan, Japanese tax authority still holds the right to execute income tax examination for the years on and after fiscal year of 2002. Moreover, the Company and its subsidiaries might be subject to income tax examinations by each jurisdiction's tax authority for certain years based on each tax regulation.

16. Net Income Per Share

The reconciliation of the numerators and denominators of the basic net income per share computations for the years ended March 31, 2008, 2007 and 2006 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2008	2007	2006	2008
Numerator:				
Income before cumulative effect of an accounting change	¥218,585	¥177,059	¥148,585	$2,182
Cumulative effect of an accounting change, less applicable income taxes	—	—	(3,439)	—
Net income	¥218,585	¥177,059	¥145,146	$2,182
Effect of dilutive securities:				
Convertible preferred stock	(15,411)	—	—	(154)
Diluted net income	¥203,174	¥177,059	¥145,146	$2,028

	Number of Shares		
	2008	2007	2006
Denominator:			
Weighted-average number of common shares outstanding	**1,580,878,959**	1,581,543,157	1,582,159,754

	Yen			U.S. Dollars
	2008	2007	2006	**2008**
Income per common share before cumulative effect of an accounting change	**¥138.27**	¥111.95	¥93.91	**$1.38**
Cumulative effect of an accounting change per common share, less applicable income taxes	—	—	(2.17)	—
Basic net income per common share	**¥138.27**	¥111.95	¥91.74	**$1.38**
Diluted net income per common share	**¥128.52**	¥111.95	¥91.74	**$1.28**

Diluted net income per share for the year ended March 31, 2006 was not presented, since the Company had simple capital structures and there were no potentially dilutive common shares, such as convertible bonds outstanding, that could increase the number of shares outstanding. The number of common shares and convertible preference shares issued by associated company outstanding decreased as a result of a reverse stock split for the year ended March 31, 2008. Thus diluted net income per share for the year ended March 31, 2007 has adjusted retroactively. As a result, diluted net income per share for the year ended March 31, 2007 was not presented since antidiluted effect.

17. Segment Information

The Company and its subsidiaries are engaged in a wide range of business activities, such as worldwide trading operations in various commodities, financing for customers and suppliers, organizing and coordinating industrial projects and investing in natural resource development, advanced technology, information and multimedia.

The Company and its subsidiaries have introduced a division company system and information on operating segments is prepared and presented according to this system. This system is regularly used for decisions in operations, including resource allocations, and evaluations by the management.

The operating segments of the Company and its subsidiaries are as follows:

Textile

The Textile segment is engaged in all stages from rough material, thread and textile to the final products for garments, home furnishing and industrial materials. This segment performs production and sales on a worldwide scale. In addition, the segment promotes brand businesses, development of industrial fibers and retail operations.

Machinery

The Machinery segment is engaged in diverse business activities ranging from projects in plants, bridges, railways and other infrastructures to automobiles, ships, industrial machinery and other items. This segment also conducts business in water resources and environment-related equipment as well as activities related to renewable and alternative energy.

Aerospace, Electronics & Multimedia

The Aerospace, Electronics & Multimedia segment is engaged in business activities involving IT-related systems/provider business, internet service business, high-tech venture investment, mobile phone sales/contents distribution, video distribution/service business (broadcast-related, etc.) and aircraft and related equipment.

Energy, Metals & Minerals

The Energy, Metals & Minerals segment is engaged in metal and mineral resource development, processing of steel products, environmental business including trading in greenhouse gas emissions, and trading in iron ore, coal, pig iron and ferrous raw materials, non-ferrous and light metal and steel products in Japan and overseas. Also the segment is engaged in energy resource development and trading in crude oil, oil products, gas and nuclear fuels both domestically and abroad.

Chemicals, Forest Products & General Merchandise

The Chemicals, Forest Products & General Merchandise segment is engaged in business activities involving various consumer products such as lumber, pulp, paper, rubber, glass and cement, and in basic chemicals, fine chemicals, plastics and inorganic chemicals.

Food

The Food segment pursues efficient-oriented operations from production and distribution to retail in all areas of food from raw materials to finished products both domestically and abroad.

Finance, Realty, Insurance & Logistics Services

The Finance, Realty, Insurance & Logistics Services segment is engaged in structuring and sales of financial products, agency, broker and consulting services of insurance and reinsurance. In addition, this segment is engaged in third party logistics, warehousing, trucking, international intermodal transport and developments and operations of real estate.

Management evaluates segment performance based on several factors such as net income (loss) determined in accordance with U.S. GAAP.

In addition, management utilizes internally developed management control methods for the purpose of internal operating decisions.

Intersegment transactions are priced with reference to prices applicable to transactions with unaffiliated parties.

There have been no trading transactions with a single major external customer (10% or more of total) for the years ended March 31, 2008, 2007 and 2006.

Information concerning operations in different operating segments for the years ended March 31, 2008, 2007 and 2006 is as follows:

	Millions of Yen								
	2008								
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥690,690	¥1,432,308	¥722,625	¥3,829,107	¥2,289,521	¥3,036,830	¥182,068	¥229,307	¥12,412,456
Transfers between operating segments	609	677	4,275	322	18,937	279	111	(25,210)	—
Total trading transactions	¥691,299	¥1,432,985	¥726,900	¥3,829,429	¥2,308,458	¥3,037,109	¥182,179	¥204,097	¥12,412,456
Gross trading profit	¥115,236	¥ 100,477	¥138,952	¥ 127,464	¥ 122,640	¥ 324,665	¥ 41,381	¥ 25,089	¥ 995,904
Equity in earnings (losses) of associated companies	¥ 2,039	¥ 4,752	¥ (1,233)	¥ 25,463	¥ 2,017	¥ 7,951	¥ 29,595	¥ (346)	¥ 70,238
Net income (loss)	¥ 20,500	¥ 22,634	¥ 14,583	¥ 105,716	¥ 19,677	¥ 18,657	¥ 10,828	¥ 5,990	¥ 218,585
Identifiable assets at March 31	¥364,349	¥ 690,929	¥513,870	¥ 916,571	¥ 766,790	¥1,064,825	¥420,501	¥517,585	¥ 5,255,420
Depreciation and amortization	¥ 3,419	¥ 5,444	¥ 6,394	¥ 34,272	¥ 4,307	¥ 9,577	¥ 1,894	¥ 6,262	¥ 71,569

	Millions of Yen								
	2007								
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥806,535	¥1,588,786	¥696,708	¥3,019,987	¥2,157,198	¥2,828,861	¥221,720	¥259,264	¥11,579,059
Transfers between operating segments	609	602	3,388	613	7,900	404	1,682	(15,198)	—
Total trading transactions	¥807,144	¥1,589,388	¥700,096	¥3,020,600	¥2,165,098	¥2,829,265	¥223,402	¥244,066	¥11,579,059
Gross trading profit	¥124,640	¥ 90,466	¥133,513	¥ 102,114	¥ 126,187	¥ 264,617	¥ 43,285	¥ 23,854	¥ 908,676
Equity in earnings (losses) of associated companies	¥ 1,513	¥ 5,826	¥ (1,468)	¥ 27,077	¥ 2,302	¥ 10,213	¥ (66,037)	¥ 505	¥ (20,069)
Net income (loss)	¥ 17,105	¥ 21,132	¥ 11,203	¥ 80,705	¥ 24,772	¥ 18,089	¥ (28,302)	¥ 32,355	¥ 177,059
Identifiable assets at March 31	¥401,792	¥ 635,761	¥551,210	¥ 781,432	¥ 716,775	¥1,070,743	¥524,851	¥588,948	¥ 5,271,512
Depreciation and amortization	¥ 4,551	¥ 4,682	¥ 6,842	¥ 19,433	¥ 4,884	¥ 8,019	¥ 1,638	¥ 6,334	¥ 56,383

	Millions of Yen								
	2006								
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	¥824,254	¥1,439,528	¥699,501	¥2,876,186	¥1,967,277	¥2,150,029	¥232,844	¥284,266	¥10,473,885
Transfers between operating segments	982	8,536	3,669	1,052	6,711	341	2,775	(24,066)	—
Total trading transactions	¥825,236	¥1,448,064	¥703,170	¥2,877,238	¥1,973,988	¥2,150,370	¥235,619	¥260,200	¥10,473,885
Gross trading profit	¥122,867	¥ 69,545	¥116,445	¥ 73,866	¥ 111,109	¥ 142,562	¥ 45,957	¥ 32,023	¥ 714,374
Equity in earnings (losses) of associated companies	¥ (474)	¥ 6,434	¥ 1,796	¥ 24,028	¥ 2,756	¥ 9,308	¥ 8,038	¥ (149)	¥ 51,737
Net income (loss)	¥ 14,996	¥ 13,676	¥ 17,208	¥ 57,958	¥ 18,625	¥ 19,419	¥ 9,875	¥ (6,611)	¥ 145,146
Identifiable assets at March 31	¥395,416	¥ 489,018	¥524,715	¥ 644,383	¥ 634,297	¥ 778,787	¥600,851	¥729,546	¥ 4,797,013
Depreciation and amortization	¥ 4,002	¥ 3,064	¥ 10,132	¥ 5,448	¥ 4,147	¥ 5,742	¥ 2,163	¥ 9,364	¥ 44,062

	Millions of U.S. Dollars								
	2008								
	Textile	Machinery	Aerospace, Electronics & Multimedia	Energy, Metals & Minerals	Chemicals, Forest Products & General Merchandise	Food	Finance, Realty, Insurance & Logistics Services	Other, Adjustments & Eliminations	Consolidated
Trading transactions:									
Unaffiliated customers and associated companies	$6,894	$14,296	$7,212	$38,218	$22,852	$30,311	$1,817	$2,289	$123,889
Transfers between operating segments	6	7	43	3	189	3	1	(252)	—
Total trading transactions	$6,900	$14,303	$7,255	$38,221	$23,041	$30,314	$1,818	$2,037	$123,889
Gross trading profit	$1,150	$ 1,003	$1,387	$ 1,272	$ 1,224	$ 3,241	$ 413	$ 250	$ 9,940
Equity in earnings (losses) of associated companies	$ 20	$ 48	$ (12)	$ 254	$ 20	$ 79	$ 295	$ (3)	$ 701
Net income (loss)	$ 205	$ 226	$ 146	$ 1,055	$ 196	$ 186	$ 108	$ 60	$ 2,182
Identifiable assets at March 31	$3,637	$ 6,896	$5,129	$ 9,148	$ 7,654	$10,628	$4,197	$5,166	$ 52,455
Depreciation and amortization	$ 34	$ 54	$ 64	$ 342	$ 43	$ 96	$ 19	$ 62	$ 714

Note: 1. "Other, Adjustments & Eliminations" includes trading transactions, gross trading profit, equity in earnings (losses) of associated companies, net income (loss), identifiable assets not allocated to the specified operating segments in domestic and foreign areas, eliminations and adjustments, etc.

2. Net income (loss) in "Energy, Metals & Minerals" for the year ended March 31, 2006 includes (¥3,439) million on net-of-tax basis of the cumulative effect of an accounting change resulting from early adoption of EITF 04-6, "Accounting for Stripping Costs Incurred during Production in the Mining Industry."

Geographic Information

Information concerning operations in different countries for the years ended March 31, 2008, 2007 and 2006 was as follows:

	Millions of Yen				
	2008				
	Japan	United States	Australia	Other	Consolidated
Revenue	**¥1,615,646**	**¥615,610**	**¥124,542**	**¥505,412**	**¥2,861,210**

	Millions of Yen				
	2008				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets	**¥267,091**	**¥133,526**	**¥44,578**	**¥67,822**	**¥513,017**

	Millions of Yen				
	2007				
	Japan	United States	Australia	Other	Consolidated
Revenue	¥1,590,900	¥575,654	¥116,723	¥363,925	¥2,647,202

	Millions of Yen				
	2007				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets	¥323,811	¥97,477	¥31,726	¥77,031	¥530,045

	Millions of Yen				
	2006				
	Japan	United States	Australia	Other	Consolidated
Revenue	¥1,324,577	¥503,046	¥109,104	¥281,494	¥2,218,221

	Millions of U.S. Dollars				
	2008				
	Japan	United States	Australia	Other	Consolidated
Revenue	**$16,126**	**$6,144**	**$1,243**	**$5,045**	**$28,558**

	Millions of U.S. Dollars				
	2008				
	Japan	Australia	United States	Other	Consolidated
Long-lived assets	**$2,666**	**$1,333**	**$445**	**$677**	**$5,121**

Note: "Revenue" is attributed to countries based on the location of the assets.

18. Common Stock, Capital Surplus and Retained Earnings

On May 1, 2006, the Corporate Law in Japan superseded various laws covering the regulation of companies (Chapter II of the Commercial Code; Law for Special Provisions for the Commercial Code concerning Audits; Limited Liability Company Law. Hereafter referred to as "Commercial Code prior to revision").

The Corporate Law states that upon issuance of new shares, at least 50% of the amount raised will be credited to the common stock account, unless otherwise specified in the Law.

The Corporate Law in Japan provides that upon payment of dividends, an amount equal to 10% of the paid dividends must be appropriated as additional paid-in capital (a component of capital surplus) or as legal reserve (a component of retained earnings) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of additional paid-in capital and legal reserve equals 25% of the common stock.

The Corporate Law provides that there is a limit to the amount that can be distributed as dividends and the amount available for the purchase of treasury stocks. This amount is based on the amount recorded in the Company's statutory standalone financial statements in accordance with the financial accounting standards of Japan. The adjustments included in the accompanying consolidated financial statements to conform with U.S. GAAP, but not recorded in the statutory standalone financial statements, have no effect on the determination of the available balance as dividends or the purchase of treasury stocks under the Corporate Law. The amount available as dividends or the purchase of treasury stocks under the Corporate Law was ¥190,870 million as of March 31, 2008, provided however this figure might change by such as purchase of treasury stocks thereafter.

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having the Board of Directors, (2) having the Board of Corporate Auditors, (3) appointing independent auditors, and (4) the term of service of the directors is prescribed as one year, the Board of Directors may decide dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. Companies under the Board of Directors' system may declare dividends once during the fiscal year by resolution of the Board of Directors (cash dividends only) if the company has prescribed so in its articles of incorporation.

The Corporate Law also provides for companies, provided so resolved by the Board of Directors, to dispose of treasury stock, or to purchase it as prescribed in their articles of incorporation. The amount of treasury stock so purchased must be within the limits previously described as determined by the Corporate Law.

The Corporate Law permits reclassification among common stock, capital surplus and retained earnings by resolution of the shareholders' meeting, such as the transfer of a portion or all of retained earnings to the common stock account.

At the June 29, 2000 shareholders' meeting of the Company, held under the Commercial Code prior to revision, the shareholders approved a proposal to eliminate the Company's accumulated deficits of ¥109,799 million from the Company's books of account by a transfer from capital surplus as permitted by the Commercial Code prior to revision. Because the Company's accumulated deficits in the U.S. GAAP consolidated financial statements on that date was not significantly different from the Company's books of account, the Company reflected the deficit reclassification entry on its books of account when preparing the consolidated financial statements, following private company's practices in the United States of America. The balance of consolidated retained earnings at March 31, 2008 would have been ¥558,257 million, including a legal reserve of ¥10,373 million, had the Company not eliminated the accumulated deficits.

19. Other Comprehensive Income (Loss)

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments were as follows:

	Millions of Yen		
	2008		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥ (26,509)	¥ 14	¥ (26,495)
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	644	—	644
Net change in foreign currency translation adjustments during the year	(25,865)	14	(25,851)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	(54,908)	22,885	(32,023)
Reclassification adjustments for gains and losses realized in net income	(30)	9	(21)
Net change in pension liability adjustments during the year	(54,938)	22,894	(32,044)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	(82,362)	32,889	(49,473)
Reclassification adjustments for gains and losses realized in net income	2,568	(1,442)	1,126
Net change in unrealized holding gains and losses on securities during the year	(79,794)	31,447	(48,347)
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	(3,542)	1,605	(1,937)
Reclassification adjustments for gains and losses realized in net income	(190)	58	(132)
Net change in unrealized holding gains and losses on derivative instruments during the year	(3,732)	1,663	(2,069)
Other comprehensive income (loss)	¥(164,329)	¥56,018	¥(108,311)

	Millions of Yen		
	2007		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥ 26,093	¥ 2	¥ 26,095
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	609	—	609
Net change in foreign currency translation adjustments during the year	26,702	2	26,704
Minimum pension liability adjustments	(1,153)	381	(772)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	64,150	(27,857)	36,293
Reclassification adjustments for gains and losses realized in net income	(19,058)	7,812	(11,246)
Net change in unrealized holding gains and losses on securities during the year	45,092	(20,045)	25,047
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	(3,921)	1,401	(2,520)
Reclassification adjustments for gains and losses realized in net income	(1,698)	690	(1,008)
Net change in unrealized holding gains and losses on derivative instruments during the year	(5,619)	2,091	(3,528)
Other comprehensive income (loss)	¥ 65,022	¥(17,571)	¥ 47,451

	Millions of Yen		
	2006		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	¥ 37,246	¥ (16)	¥ 37,230
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	371	17	388
Net change in foreign currency translation adjustments during the year	37,617	1	37,618
Minimum pension liability adjustments	285	(324)	(39)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	92,723	(33,991)	58,732
Reclassification adjustments for gains and losses realized in net income	(22,241)	8,452	(13,789)
Net change in unrealized holding gains and losses on securities during the year	70,482	(25,539)	44,943
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	6,963	(3,057)	3,906
Reclassification adjustments for gains and losses realized in net income	4,554	(1,851)	2,703
Net change in unrealized holding gains and losses on derivative instruments during the year	11,517	(4,908)	6,609
Other comprehensive income (loss)	¥119,901	¥(30,770)	¥ 89,131

	Millions of U.S. Dollars		
	2008		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities	$ (264)	$ 0	$ (264)
Reclassification adjustments for gains and losses realized upon sale or liquidation of investments in foreign entities	6	—	6
Net change in foreign currency translation adjustments during the year	(258)	0	(258)
Pension liability adjustments:			
Amount arising during the year on pension liability adjustments	(548)	228	(320)
Reclassification adjustments for gains and losses realized in net income	(0)	0	(0)
Net change in pension liability adjustments during the year	(548)	228	(320)
Unrealized holding gains and losses on securities:			
Amount arising during the year on available-for-sale securities	(822)	328	(494)
Reclassification adjustments for gains and losses realized in net income	26	(14)	12
Net change in unrealized holding gains and losses on securities during the year	(796)	314	(482)
Unrealized holding gains and losses on derivative instruments:			
Amount arising during the year on derivative instruments for cash flow hedges	(36)	16	(20)
Reclassification adjustments for gains and losses realized in net income	(2)	1	(1)
Net change in unrealized holding gains and losses on derivative instruments during the year	(38)	17	(21)
Other comprehensive income (loss)	$(1,640)	$559	$(1,081)

20. Financial Instruments

(1) Derivative Instruments and Hedging Activities

The Company and certain subsidiaries operate internationally and are exposed to market risks arising from changes in foreign exchange rates, interest rates and commodity prices. The Company and its subsidiaries utilize certain derivative instruments principally in order to reduce these market risks.

The Company and certain subsidiaries have various derivative instruments, which are exposed to credit losses in the event of non-performance by counterparties. The Company and its subsidiaries seek to minimize credit risk by entering into contracts only with major counterparties as well as avoiding concentration with certain counterparties or groups of counterparties. The policies of the Company and its subsidiaries prescribe monitoring of creditworthiness and exposure on a counterparty-by-counterparty basis.

Foreign Exchange Rate Risk Management

The Company and certain subsidiaries have assets and liabilities which are exposed to foreign exchange rate risks. In order to hedge the risks, mainly between the U.S. dollar and Japanese yen, the Company and its subsidiaries enter into foreign exchange contracts (including currency swap agreements).

These contracts are primarily used to fix future net cash flows from recognized receivables and payables and unrecognized firm commitments denominated in foreign currencies.

The Company and its subsidiaries estimate the amounts of net future cash flows for each currency by due dates and enter into foreign exchange contracts (including currency swap agreements) for certain portion of net future cash flows.

Most hedging relationships between the derivative financial instruments and hedged items are highly effective in offsetting impacts resulting from changes in foreign exchange rates.

Interest Rate Risk Management

The Company and certain subsidiaries are exposed to risks of variability in future cash outflow or fluctuations in fair value mainly on debt obligations. In order to manage these risks, the Company and its subsidiaries enter into interest rate swap agreements.

Interest rate swaps are used primarily to convert floating rate debt to fixed rate debt and to convert fixed rate debt to floating rate debt.

Most hedging relationships between the derivative financial instruments and hedged items are highly effective in offsetting changes in cash flows or fair values resulting from changes in interest rates.

Commodity Price Risk Management

The Company and certain subsidiaries utilize commodity derivative instruments for commodities, such as crude oil and grain, principally to hedge fluctuations in cash flows or fair values due to changes in commodity prices.

Most hedging relationships between the commodity derivative instruments and hedged items are highly effective in offsetting changes in cash flows or fair values resulting from changes in commodity prices.

Risk Management Policy

The Company and its subsidiaries manage foreign exchange rate risks, interest rate risks and commodity price risks by continuously monitoring the movements and by seeking hedging opportunities to reduce such risks.

The Company and its subsidiaries set the limits for derivative instruments based on the purpose of holding these instruments.

The risk management policies of the Company and its subsidiaries state that derivative instruments for the most part are held for hedging purposes.

The risk management policies including objectives and strategies for undertaking derivative instruments are documented, and the Company and its subsidiaries make a formal assessment at the hedge's inception and quarterly on an ongoing basis, as to whether the derivatives used in hedging activities are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair Value Hedge

Changes in the fair value of derivative instruments designated and qualified as fair value hedges of recognized assets and liabilities or unrecognized firm commitments are recognized in earnings together with changes in the fair value of the corresponding hedged items.

The amount of the hedges' ineffectiveness and net gain or loss excluded from the assessment of hedge effectiveness was not material for the years ended March 31, 2008, 2007 and 2006.

The amount of net gain or loss recognized in earnings when the hedged firm commitment no longer qualified as a fair value hedge was not material for the years ended March 31, 2008, 2007 and 2006.

Cash Flow Hedge

Changes in the fair value of derivative instruments designated and qualified as cash flow hedges of forecasted transactions and recognized assets and liabilities are reported in accumulated other comprehensive income (loss) (referred to as AOCI). These amounts are reclassified into earnings in the same period as the hedged items affect earnings.

Changes in the fair value of interest rate swap designated as hedging instruments are initially recorded in AOCI and reclassified into earnings as interest expense when the hedged items affect earnings.

The amount of the hedges' ineffectiveness and net gain or loss excluded from the assessment of hedge effectiveness was not material for the years ended March 31, 2008, 2007 and 2006.

Net gains of ¥624 million ($6 million) in AOCI at March 31, 2008 are expected to be reclassified into earnings within the next 12 months.

As of March 31, 2008, the maximum length of time over which the Company and its subsidiaries are hedging their exposure to variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments is approximately 47 months.

The amount of net gain or loss reclassified into earnings because it was probable that forecasted transactions would not occur was immaterial for the years ended March 31, 2008, 2007 and 2006. Derivative instruments held or issued for trading purposes were insignificant.

(2) Fair Values of Financial Instruments

The Company and its subsidiaries have various financial instruments, which are exposed to credit losses in the event of non-performance by counterparties.

The Company and its subsidiaries are engaged in transactions with numerous counterparties to ensure that there are no significant concentrations of credit risk with any individual counterparty or groups of counterparties.

The estimated fair values of financial instruments as of March 31, 2008 and 2007 were as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2008		2007		**2008**	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:						
Other non-current receivables and advances to associated companies (less allowance for doubtful receivables)	**¥ 122,359**	**¥ 123,020**	¥ 113,608	¥ 113,543	**$ 1,221**	**$ 1,228**
Financial liabilities:						
Long-term debt (including current maturities)	**¥1,971,105**	**¥1,971,892**	¥1,939,650	¥1,939,582	**$19,674**	**$19,682**
Derivative financial instruments (assets):						
Foreign exchange contracts (including currency swap agreements)	**¥ 8,583**	**¥ 8,583**	¥ 5,402	¥ 5,402	**$ 86**	**$ 86**
Interest rate swap agreements	**7,249**	**7,249**	1,892	1,892	**72**	**72**
Derivative financial instruments (liabilities):						
Foreign exchange contracts (including currency swap agreements)	**¥ 10,596**	**¥ 10,596**	¥ 1,492	¥ 1,492	**$ 106**	**$ 106**
Interest rate swap agreements	**7,564**	**7,564**	5,169	5,169	**75**	**75**
Interest rate option agreements	**165**	**165**	13	13	**2**	**2**

Quoted market prices, where available, are used to estimate fair values of financial instruments. However, fair values are estimated using the discounted cash flow technique or other methods when quoted market prices are not available. These estimates involve uncertainty and subjectivity, and therefore fair values are not objectively verifiable. Changes in assumptions could significantly affect fair value amounts.

Current Financial Assets Other Than Marketable Securities and Current Financial Liabilities

The carrying amounts approximate fair values because of the short maturity of these instruments.

Marketable Securities and Other Investments

The fair values of marketable investment securities included in "Marketable securities" and "Other investments" are based on quoted market prices. The carrying amounts of non-marketable investment securities and others are believed to approximate fair values. The fair values for each category of securities is set forth in note 4 "Marketable Securities and Investments."

Other Non-current Receivables and Advances to Associated Companies

The fair values of other non-current receivables and advances to associated companies are estimated based on the present value of future cash flows discounted by using the current rates of loans or receivables with similar terms, conditions and maturities being offered to borrowers or customers with similar credit ratings.

Long-term Debt

The fair values of long-term debt are based on the present value of future cash flows discounted using the current borrowing rates of similar debt instruments having comparable maturities.

Foreign Exchange Contracts

The fair values of foreign exchange contracts are estimated based on the quoted market prices of comparable contracts.

Currency and Interest Rate Swap Agreements

The fair values of currency and interest rate swap agreements are estimated using the discounted cash flow technique, based on the current swap rates with similar terms and remaining periods.

Interest Rate Option Agreements

The fair values of interest rate option agreements are estimated using the option pricing model.

21. Issuance of Stock by Subsidiaries or Associated Companies

Excite Japan Co., Ltd., a consolidated subsidiary, issued 4,700 shares to third parties in August 2006. The offering price per share was ¥423,700 and the total amount of the issuance was ¥1,991 million. This issuance decreased the Company and its subsidiaries' ownership of the subsidiary from 65.9% to 60.8%.

The offering price per share of this issuance was in excess of the Company's carrying value per share of the subsidiary stock. The issuance of these shares was regarded as a sale of a part of the Company and its subsidiaries' interest in the subsidiary and the Company and its subsidiaries recognized a gain of ¥862 million for the year ended March 31, 2007, which is included in "Gain (loss) on disposal of investments and marketable securities, net of write-down." The Company and its subsidiaries recognized ¥353 million of deferred tax liability on the recognized gain which is included in "Income taxes—Deferred."

MAGASeek Corporation, a consolidated subsidiary, issued 2,000 shares of common stock in a public offering to third parties on November 28, 2006, the date of its listing on the Mothers market of the Tokyo Stock Exchange. The offering price per share was ¥467,500 and the total amount of the issuance was ¥935 million. This issuance decreased the Company's ownership of the subsidiary from 84.8% to 76.6%. In December 2006, the subsidiary also issued 500 shares at ¥467,500 per share, or ¥234 million in total, in order to facilitate the settlement of shares offered through over-allotment. This issuance decreased the Company's ownership of the subsidiary from 65.9% to 64.4%.

The offering price per share of each issuance was in excess of the Company's carrying value per share of the subsidiary stock. The issuance of these shares was regarded as a sale of a part of the Company's interest in the subsidiary and the Company recognized a gain of ¥1,024 million for the year ended March 31, 2007, which is included in "Gain (loss) on disposal of investments and marketable securities, net of write-down." The Company recognized ¥420 million of deferred tax liability on the recognized gain which is included in "Income taxes—Deferred."

Chemoil Energy Limited, an associated company, issued 160,172,000 shares of common stock in a public offering to third parties on December 14, 2006, the date of its listing on the Stock Exchange of Singapore. The offering price per share was $0.45 and the total amount of the issuance was $72,077 thousand. This issuance decreased the Company and its subsidiaries' ownership of the associated company from 50.0% to 43.6%.

In December 2006, the associated company also issued 33,720,000 shares at $0.45 per share, or $15,174 thousand in total, in order to facilitate the settlement of shares offered through over-allotment. This issuance decreased the Company and its subsidiaries' ownership of the associated company from 38.5% to 37.5%.

The offering price per share of each issuance was in excess of the Company's carrying value per share of the associated company stock. The issuance of these shares was regarded as a sale of a part of the Company and its subsidiaries' interest in the associated company and the Company and its subsidiaries recognized a gain of ¥3,176 million for the year ended March 31, 2007, which is included in "Gain (loss) on disposal of investments and marketable securities, net of write-down." The Company and its subsidiaries recognized ¥763 million of deferred tax liability on the recognized gain which is included in "Income taxes—Deferred."

eGuarantee, Inc., an associated company, issued 1,000 shares of common stock in a public offering to third parties on March 8, 2007, the date of its listing on the JASDAQ market. The offering price per share was ¥187,000 and the total amount of the issuance was ¥187 million. This issuance decreased the Company and its subsidiaries' ownership of the associated company from 48.3% to 45.9%.

The offering price per share of this issuance was in excess of the Company's carrying value per share of the associated company stock. The issuance of these shares was regarded as a sale of a part of the Company and its subsidiaries' interest in the associated company and the Company and its subsidiaries recognized a gain of ¥69 million for the year ended March 31, 2007, which is included in "Gain (loss) on disposal of investments and marketable securities, net of write-down." The Company and its subsidiaries recognized ¥28 million of deferred tax liability on the recognized gain which is included in "Income taxes—Deferred."

NANO Media Inc., a consolidated subsidiary, issued to third parties 155 shares at ¥200,000 per share, or ¥31 million in total, in April 2005, 1,270 shares at ¥370,000 per share, or ¥470 million in total, in August 2005 and 100 shares at 370,000 per share, or ¥37 million in total, in September 2005.

The subsidiary also issued 3,100 shares of common stock in a public offering to third parties on November 29, 2005, the date of its listing on the Mothers market of the Tokyo Stock Exchange. The offering price per share was ¥771,900 and the total amount of the issuance was ¥2,393 million. This issuance decreased the Company and its subsidiaries' ownership of the subsidiary from 67.8% to 56.9%.

Furthermore, in December 2005, the subsidiary issued 600 shares at ¥771,900 per share, or ¥463 million in total, in order to facilitate the settlement of shares offered through over-allotment. This issuance decreased the Company and its subsidiaries' ownership of the subsidiary to 51.9%.

The offering price per share of each issuance was in excess of the Company's carrying value per share of the subsidiary stock. The issuance of these shares was regarded as a sale of a part of the Company and its subsidiaries' interest in the subsidiary and the Company and its subsidiaries recognized a gain of ¥1,708 million for the year ended March 31, 2006, which is included in "Gain (loss) on disposal of investments and marketable securities, net of write-down." The Company and its subsidiaries recognized ¥700 million of deferred tax liability on the recognized gain which is included in "Income taxes—Deferred."

ITC NETWORKS CORPORATION, a consolidated subsidiary, issued 12,000 shares of common stock in a public offering to third parties on March 10, 2006, the date of its listing on the second section of the Tokyo Stock Exchange. The offering price per share was ¥347,800 and the total amount of the issuance was ¥4,174 million. This issuance decreased the Company's ownership of the subsidiary from 97.4% to 84.3%.

In March 2006, the subsidiary also issued 2,926 shares at ¥347,800 per share, or ¥1,018 million in total, in order to facilitate the settlement of shares offered through over-allotment. This issuance decreased the Company's ownership of the subsidiary to 70.8%.

The offering price per share of each issuance was in excess of the Company's carrying value per share of the subsidiary stock. The issuance of these shares was regarded as a sale of a part of the Company's interest in the subsidiary and the Company recognized a gain of ¥3,595 million for the year ended March 31, 2006, which is included in "Gain (loss) on disposal of investments and marketable securities, net of write-down." The Company recognized ¥1,474 million of deferred tax liability on the recognized gain which is included in "Income taxes—Deferred."

22. Variable Interest Entities

The Company and its subsidiaries have involvement in certain businesses, such as ocean plying vessels, property development and providing loans to third parties, which are conducted through special purpose entities. The Company and its subsidiaries retain variable interests through loans, guarantees and equity investments in these special purpose entities which are classified as variable interest entities under FIN 46 (R).

Among these entities, those in which the Company and its subsidiaries are the primary beneficiary are principally entities undertaking real estate development businesses. The total assets of those entities are ¥7,296 million ($73 million) and ¥12,840 million as of March 31, 2008 and 2007, respectively. The creditors or beneficial interest holders of those entities do not have recourse to the general of the Company and its subsidiaries.

Variable interest entities in which the Company and its subsidiaries are not the primary beneficiary but have significant variable interests include entities undertaking ocean plying vessels businesses and real estate development businesses. In the fiscal year, additional variable interest entities included an entity established to finance production facilities for the production of crude oil and petroleum products. The involvement of the Company and its subsidiaries with those variable interest entities entails guarantees and subordinated loans, and the Company and its subsidiaries have significant variable interests in such entities.

The total assets and maximum exposure to loss to the Company and its subsidiaries as a result of their involvement in the variable interest entities where the Company and its subsidiaries are not the primary beneficiary, but have significant variable interests, were ¥577,671 million ($5,766 million) and ¥39,513 million ($394 million), respectively, as of March 31, 2008 and ¥193,935 million and ¥37,876 million, respectively, as of March 31, 2007. The maximum exposure to loss, which includes loans and guarantees, is partially covered by guarantees provided by third parties, and has no relation to the loss estimated to be incurred from involvement with the variable interest entities.

23. Settlement of Lawsuit Against our U.S. Subsidiaries

The lawsuit brought against ITOCHU International Inc. and its subsidiary, III Holding Inc. (formerly known as Copelco Financial Services Group, Inc.) by Citibank N.A. and its subsidiary, Citibank Canada, in connection with the acquisition of all the common stocks of Copelco Capital Inc., a subsidiary of III Holding Inc., for a purchase price of approximately US$666 million in May, 2000, which was pending before the New York Supreme Court for New York County, was settled though outside-court mediation by a basic agreement for settlement dated August 9, 2005. As a result of the basic agreement, a definitive settlement agreement was entered into on August 18, 2005, and the lawsuit was withdrawn with prejudice on August 19, 2005.

According to this settlement, "Other–net" in the accompanying consolidated statements of operations for the year ended March 31, 2006, included charge of ¥19,503 million.

24. Commitments and Contingent Liabilities

The Company and its subsidiaries enter into purchase contracts for certain items, principally energy, machinery and chemical materials either at fixed or at variable prices. In most cases, these contracts are matched with counterparty sales contracts. The outstanding purchase contracts amounted to ¥2,175,550 million ($21,714 million), and ¥1,991,554 million, for the years ended March 31, 2008 and 2007, respectively. The deliveries are at various dates through 2026.

The Company and its subsidiaries also had long-term financing commitments aggregating ¥60,473 million ($604 million) and ¥37,201 million for the years ended March 31, 2008 and 2007, respectively, for loans and investments in equity capital.

The Company and its subsidiaries issue various guarantees for indebtedness of equity-method associated companies and customers. The guarantees are principally for monetary indebtedness by third parties to enhance their credit standings. If a guaranteed party fails to fulfill its obligation, the Company and its subsidiaries would be required to execute payments. The maximum potential amount of future payments and the amount of substantial risk at March 31, 2008 and 2007 are summarized below:

	Millions of Yen		
	2008		
	Guarantees for Monetary Indebtedness	Other Guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	¥ 68,422	¥12,770	¥ 81,192
Amount of substantial risk	37,450	12,293	49,743
Guarantees for customers:			
Maximum potential amount of future payments	93,266	14,859	108,125
Amount of substantial risk	50,714	14,000	64,714
Total:			
Maximum potential amount of future payments	¥161,688	¥27,629	¥189,317
Amount of substantial risk	88,164	26,293	114,457

	Millions of Yen		
	2007		
	Guarantees for Monetary Indebtedness	Other Guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	¥ 85,498	¥15,151	¥100,649
Amount of substantial risk	48,258	14,674	62,932
Guarantees for customers:			
Maximum potential amount of future payments	117,255	23,295	140,550
Amount of substantial risk	74,616	22,437	97,053
Total:			
Maximum potential amount of future payments	¥202,753	¥38,446	¥241,199
Amount of substantial risk	122,874	37,111	159,985

	Millions of U.S. Dollars		
	2008		
	Guarantees for Monetary Indebtedness	Other Guarantees	Total
Guarantees for equity-method associated companies:			
Maximum potential amount of future payments	$ 683	$128	$ 811
Amount of substantial risk	374	122	496
Guarantees for customers:			
Maximum potential amount of future payments	931	148	1,079
Amount of substantial risk	506	140	646
Total:			
Maximum potential amount of future payments	$1,614	$276	$1,890
Amount of substantial risk	880	262	1,142

The amount of substantial risk at March 31, 2008 and 2007 represents the actual amount of liability incurred by the guaranteed parties within the pre-determined guaranteed limit established under the guarantee contracts. The amounts that might be recovered from third parties have been excluded in determining the amount of substantial risk.

The carrying amount of the liability recognized for guarantees was ¥1,031 million ($10 million) and ¥1,916 million at March 31, 2008 and 2007, respectively.

The Company guarantees housing loans of its employees and those of certain subsidiaries as a part of the benefit program. These guarantees are included in the above guarantees. If the employees default on a payment, the Company would be required to make payments under the contracts. The maximum potential amounts of future payments under the contracts were ¥9,879 million ($99 million) and ¥11,356 million at March 31, 2008 and 2007. No provisions relating to the guarantees have been recorded in the consolidated financial statements.

The amounts that might be recovered from third parties have been excluded from determining the maximum potential amount of future payments. The amounts recoverable were ¥51,549 million ($515 million) and ¥65,467 million at March 31, 2008 and 2007, respectively.

Guarantees with the longest term for indebtedness of equity-method associated companies and customers issued by the Company and its subsidiaries expire on June 30, 2033.

The major equity-method associated companies and customers and the substantial risk of the related guarantees for monetary indebtedness at March 31, 2008 and 2007 were as follows:

	Millions of Yen	Millions of U.S. Dollars		Millions of Yen
	2008			2007
Sakhalin Oil and Gas Development Co., Ltd.	¥18,391	$184	Sakhalin Oil and Gas Development Co., Ltd.	¥36,086
Famima Credit Corporation	7,469	75	Famima Credit Corporation	9,851
Ningbo Mitsubishi Chemical Co., Ltd.	6,876	69	Ningbo Mitsubishi Chemical Co., Ltd.	7,491
Japan Brazil Paper and Pulp Resources Development Co., Ltd.	5,150	51	Japan Brazil Paper and Pulp Resources Development Co., Ltd.	6,401
Baku-Tbilisi-Ceyhan Pipeline Finance B.V.	4,595	46	Rabigh Arabian Water and Electricity Company	5,141
AI Beverage Holding Co. Ltd.	4,572	46	Baku-Tbilisi-Ceyhan Pipeline Finance B.V.	5,030
Rabigh Arabian Water and Electricity Company	4,418	44	AI Beverage Holding Co. Ltd.	4,961
STAR CHANNEL, INC.	4,077	41	Japan Ohanet Oil & Gas Co., Ltd.	4,006
Consolidated Grain & Barge Co.	3,004	30	STAR CHANNEL, INC.	3,954
Japan Ohanet Oil & Gas Co., Ltd.	2,051	20	Marubeni-Itochu Steel Inc.	3,723

The Company and its subsidiaries were contingently liable in the amounts of ¥1,097 million ($11 million) and ¥4,580 million for the total trade notes receivable endorsed to suppliers in the settlement of accounts payable and discounted trade notes receivable on a recourse basis with banks at March 31, 2008 and 2007, respectively. The amounts of export bills of exchange discounted with banks in the ordinary course of business were ¥78,119 million ($780 million) and ¥71,853 million at March 31, 2008 and 2007, respectively.

There is no significant currently pending lawsuit, arbitration, or other legal proceeding that may materially affect the financial position or results of operations of ITOCHU Group.

However, there is no assurance that domestic or overseas business activities of ITOCHU Group may not become subject to any of such lawsuits, arbitrations or other legal proceedings in the future.

25. Reorganization of Business Related to Petroleum Products

The Company and its associated company, Itochu Enex Co., Ltd. and its subsidiary ITOCHU Petroleum Japan Ltd. have resolved at the meetings of their respective Boards of Directors held on March 14, 2008, and have signed on that date the Master Agreement that the Company and ITOCHU Petroleum Japan Ltd. will spin out and transfer their petroleum product-related businesses into Itochu Enex Co., Ltd. effective October 1, 2008.

Based on the Master Agreement, the three companies agreed the spin-out and merger contracts on April 30, 2008. The above-mentioned petroleum product-related businesses consist primarily of domestic sales and export/import businesses of petroleum products (e.g., kerosene, gas oil) in Japan, operated under the Company's Energy Trade Division, and of the logistics business of chartering and operating of tankers, the supply of marine fuels, the operation of petroleum storage tanks, and trading of lubricating oil, operated by ITOCHU Petroleum Japan Ltd. In this process, Itochu Enex Co., Ltd. will allot and issue shares of its common stock to the Company and ITOCHU Petroleum Japan Ltd. Consequently, the Company and its subsidiaries will hold more than 50% of the outstanding voting rights of Itochu Enex Co., Ltd., on and after the effective date of these transactions.

The difference between the Company's equity in the net assets of the petroleum products trade businesses and the ITOCHU Petroleum Japan Ltd. businesses to be assumed by Itochu Enex Co., Ltd., and the fair value of the allotted shares of Itochu Enex Co., Ltd., will be recognized in earnings in the consolidated financial statements of the Company. The assets acquired and liabilities assumed will be accounted for by the purchase method in the consolidated financial statements of the Company.

26. Subsequent Events

The Company issued in Japan 2.28% Yen Bonds due 2018 in an aggregate amount of ¥20,000 million ($200 million) on June 20, 2008, in accordance with an approved reaolution of the Board of Directors held on July 27, 2007.

At the ordinary general meeting of shareholders held on June 25, 2008, the Company was authorized to pay a cash dividend of ¥9.5 ($0.09) per share, or a total of ¥15,028 million ($150 million) to shareholders of record on March 31, 2008. The effective date of the dividend payment is June 26, 2008.

Deloitte.

Deloitte Touche Tohmatsu
MS Shibaura Building
13-23, Shibaura 4-chome
Minato-ku, Tokyo 108-8530
Japan

Tel: +81 3 3457 7321
Fax: +81 3 3457 1694
www.deloitte.com/jp

Independent Auditors' Report

To the Board of Directors of
ITOCHU Corporation:

We have audited the accompanying consolidated balance sheets of ITOCHU Corporation and subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2008 (all expressed in Japanese yen). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ITOCHU Corporation and subsidiaries as of March 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, effective March 31, 2007, the Company changed its method of accounting for defined benefit pension and other postretirement plans to conform to Financial Accounting Standards Board Statement No. 158.

As discussed in Note 2 to the consolidated financial statements, effective April 1, 2005, the Company changed its method of accounting for stripping costs incurred during production in the mining industry to conform to Financial Accounting Standards Board Emerging Issues Task Force 04-6.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 20, 2008, except for Note 26, as to which the date is June 25, 2008

Supplemental Oil and Gas Information (Unaudited)

The Companies' oil and gas exploration, development and production activities are conducted through subsidiaries and associated companies in offshore and onshore areas of the U.K. North Sea, America, Africa, and the area of Caspian Sea and Pacific Rim. Supplementary information on the subsidiaries and associated companies presented below is prepared in accordance with the requirements prescribed by SFAS No. 69, "Disclosure about Oil and Gas Producing Activities," as of March 31, 2008 and 2007:

The Company has changed the method of estimation and presentations from this annual report. Accordingly, reclassifications and changes have been made to prior year amounts.

Table 1: Capitalized Costs Relating to Oil and Gas Producing Activities

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Unproved oil and gas properties	**¥ 29,285**	¥ —	**$ 292**
Proved oil and gas properties	**194,357**	153,897	**1,940**
Subtotal	**¥223,642**	¥153,897	**$2,232**
Accumulated depreciation, depletion, amortization and valuation allowance	**(96,059)**	(76,481)	**(959)**
Net capitalized costs	**¥127,583**	¥ 77,416	**$1,273**
The companies' share of associated companies' net capitalized costs	**¥ 4**	¥ —	**$ 0**

Table 2: Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Acquisition of proved properties	**¥26,076**	¥ —	**$260**
Acquisition of unproved properties	**30,541**	—	**305**
Exploration costs	**2,253**	—	**23**
Development costs	**19,061**	16,231	**190**
Total costs incurred	**¥77,931**	¥16,231	**$778**
The companies' share of associated companies' costs of property acquisition, exploration and development	**¥ 959**	¥ —	**$ 10**

Table 3: Results of Operations for Producing Activities

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Revenues:			
Sales to unaffiliated companies	**¥94,853**	¥77,708	**$947**
Expenses:			
Production costs	**18,680**	32,617	**186**
Exploration expenses	**1,376**	—	**14**
Depreciation, depletion, amortization and valuation allowances	**23,106**	13,533	**231**
Income tax expenses	**22,689**	13,231	**227**
Total Expenses	**¥65,851**	¥59,381	**$658**
Results of operations from producing activities (excluding corporate overhead and interest costs)	**¥29,002**	¥18,327	**$289**
The companies' share of associated companies' result of operations from producing activities	**¥ (955)**	¥ —	**$ (10)**

Table 4: Reserve Quantity Information

In accordance with U.S. GAAP, the following table describes proved oil reserves and changes for the year ended March 31, 2007 and 2008.

	Crude Oil (Millions of Barrels)		Natural Gas (Billions of Cubic Feet)
	2008	2007	**2008**
Proved developed and undeveloped reserves:			
Beginning of year	**80**	81	—
Revision of previous estimates	**(1)**	7	—
Extensions and discoveries	—	—	—
Purchases	**2**	—	**34**
Production	**(11)**	(8)	**(3)**
End of year	**70**	80	**31**
Proved developed reserves–end of year	**27**	30	**24**

Table 5: Standardized Measure of Discounted Future Net Cash Flows and Changes therein Relating to Proved Oil and Gas Reserves

In accordance with U.S. GAAP, a standardized measure of discounted future net cash flows relating to the proved reserve quantities is based on prices and costs at the end of the year, currently enacted tax rates and a 10% annual discount factor. The oil activities' standardized measure of discounted future net cash flows includes the full committed costs of development and operation for the asset under the Production Sharing Agreement. On the other hand, revenues are registered only in relation to the currently estimated proved reserves stated in Table 4 (Reserve Quantity Information). Estimates of proved reserve quantities may change over time as new information becomes available. Consequently, the information provided here does not represent management's estimate of the companies' expected future cash flows or value of the proved reserves.

(1) Standardized Measure of Discounted Future Net Cash Flows

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Future cash inflows	**¥ 776,530**	¥ 503,577	**$ 7,751**
Future production costs	**(193,027)**	(79,680)	**(1,927)**
Future development costs	**(97,195)**	(68,518)	**(970)**
Future income tax expenses	**(194,185)**	(132,929)	**(1,938)**
Undiscounted future net cash flows	**292,123**	222,450	**2,916**
10% annual discount for estimated timing of cash flows	**(117,591)**	(88,826)	**(1,174)**
Standardized measure of discounted future net cash flows	**¥ 174,532**	¥ 133,624	**$1 ,742**

(2) Details of Changes for the Year

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	**2008**
Discounted future net cash flows at April 1	**¥133,624**	¥145,902	**$1,334**
Sales and transfer of oil and gas produced, net of production costs	**(75,125)**	(47,948)	**(750)**
Development costs incurred	**16,375**	13,990	**164**
Purchases of reserves	**22,584**	—	**225**
Net changes in prices, development and production costs	**118,773**	(31,949)	**1,185**
Extensions, discoveries and improved recovery, less related costs	**3,607**	—	**36**
Revisions of previous quantity estimates	**(19,260)**	22,036	**(192)**
Accretion of discount (10%)	**21,352**	22,956	**213**
Net changes in income taxes	**(39,648)**	6,386	**(396)**
Difference of foreign exchange rates	**(7,750)**	2,251	**(77)**
Discounted future net cash flows at March 31	**¥174,532**	¥133,624	**$1,742**

Corporate Information

As of March 31, 2008

Company Name:
ITOCHU Corporation

Founded:
1858

Incorporated:
1949

Common Stock:
¥202,241 million

Tokyo Head Office:
5-1, Kita-Aoyama 2-chome,
Minato-ku, Tokyo 107-8077, Japan
Telephone: 81 (3) 3497-2121
Facsimile: 81 (3) 3497-4141

Osaka Head Office:
1-3, Kyutaromachi 4-chome,
Chuo-ku, Osaka 541-8577, Japan
Telephone: 81 (6) 6241-2121

Homepage:
http://www.itochu.co.jp/main/index_e.html

(Investor Information)
http://www.itochu.co.jp/main/ir/index_e.html

Offices:
Domestic: 17
Overseas: 136

Number of Employees:
Consolidated*: 48,657
Non-consolidated: 4,107

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

Stock Information

As of March 31, 2008

Transfer Agent of Common Stock:
The Chuo Mitsui Trust & Banking Co., Ltd.

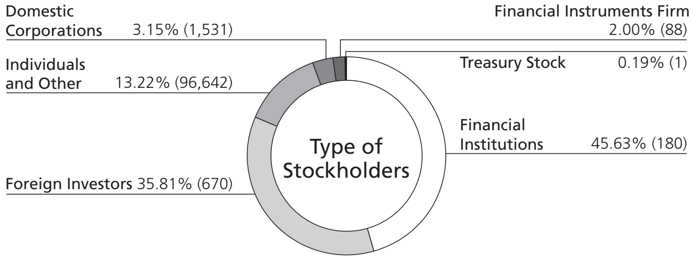
Stock Listings:
Tokyo, Osaka, Nagoya, Fukuoka, Sapporo

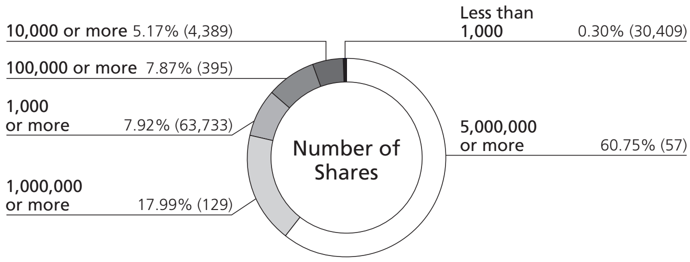
General Meeting of Stockholders:
June 25, 2008

Number of Common Stock Issued:
1,584,889,504

Number of Stockholders:
99,112

Breakdown of Stockholders:
% (Number of Stockholders)





Major Stockholders:

Stock holders	Number of stocks held (1,000 shares)	Stock holding ratio (%)
Japan Trustee Services Bank, Ltd. (trust account)	109,548	6.91
The Master Trust Bank of Japan, Ltd. (trust account)	99,012	6.25
Mitsui Sumitomo Insurance Co., Ltd.	48,650	3.07
Nippon Life Insurance Company	41,057	2.59
Tokio Marine & Nichido Fire Insurance Co., Ltd.	39,797	2.51
NIPPONKOA Insurance Co., Ltd.	39,748	2.51
Mizuho Corporate Bank, Ltd.	30,503	1.92
Asahi Mutual Life Insurance Company	27,530	1.74
State Street Bank and Trust Company 505103	25,425	1.60
BNP PARIBAS Securities (Japan) Limited	21,351	1.35

Off on A New Journey

ITOCHU Corporation

5-1, Kita-Aoyama 2-chome,
Minato-ku, Tokyo 107-8077, Japan
Telephone : 81 (3) 3497- 2121
Facsimile : 81 (3) 3497- 4141
Homepage : http://www.itochu.co.jp

Printed in Japan