

# Overseas Operations

The environment surrounding overseas markets and regions is rapidly changing on a global scale due to the deregulation, the liberalization of capital movement, the sharing of commercial trading and technology standards, and the enhanced availability of information made possible by information technology. After carefully examining such changes in the business environment, ITOCHU is focusing management resources on those markets where the Group's capabilities can be fully utilized. In other words, by promoting our A&P strategy through selection and concentration of markets and regions, we aim to reinforce profitability in overseas markets and regions.

## A&P Regions

In promoting our A&P strategy, we have designated overseas regions that are expected to become core profit generators as A&P regions. By designating North America (since fiscal year 2002) and Asia (since fiscal year 2003) as A&P regions and focusing our management resources on them, we aim to further expand overseas profit, particularly in these two regions.

### 1. North America

Despite the slump in a few businesses such as auto leasing, small-size power generator sales, and fence sales, ITOCHU International Inc. (III), the center of our North American operations, achieved a strong performance overall in the textile, general merchandise, and chemical product businesses. Profits in textiles were driven by domestic apparel and raw material sales, and profits in general merchandise and chemical products were propelled by nail and construction material sales through PrimeSource Building Products, Inc. and tire sales through Am-Pac Tire Distributors, Inc.

In the consumer-related field, we acquired the Los Angeles-based food wholesaler Japan California Products, Inc. (JCP). JCP is the largest among the food distributors selling fresh vegetables to high-end Japanese restaurants and supermarkets in the U.S. This acquisition marks our full-fledged entry into the food distribution industry in the U.S.

In addition to its development in food distribution, III is enlarging its machinery maintenance and operation business. The core companies of III's machinery maintenance business are its subsidiary Enprotech Corporation, the industry's top repairer of large-scale

presses for automobile manufacturing and manufacturer of spare parts, and North American Energy Services (NAES), the world's largest independent power plant operation and maintenance firm. In November 2002, Enprotech expanded the scope of its business by acquiring BevCorp L.L.C., which provides maintenance for bottling machines. In June 2003, III acquired Tyr Energy, Inc., which consults on electricity and gas wholesaling, and NAES acquired Connective Operating Service Company, which maintains power plants, enhancing its system for providing comprehensive services in the power generation field.

Playing an important role in introducing promising overseas businesses to ITOCHU Corporation, III mediated the development of the high-end gourmet store *Dean & DeLuca* for the Japanese market.

Aiming to go beyond the conventional business model centered on trading, we will further develop our existing businesses and promote mergers and acquisitions in growth areas. With a proactive growth strategy and large-scale strategic investment focused on the three core fields: consumer and retail related, logistics, and the field of maintenance, operation and service, we plan to earn several tens of millions of dollars from these new sources of profit.

### 2. Asia

Since fiscal year 2002, we have reinforced our system promoting our Asian strategy by establishing the Asian Strategic Committee, the Office for Promoting Asian Strategy, and a Chief Officer for Asian Region Strategy.

By defining areas of focus and allocating management resources, our Asian strategy implements such important policies as the expansion of local and regional trade, new investments in efficient projects, and the promotion of company-wide and specific market development projects.

Regarding local and regional trade, we are expanding trade, mainly of chemicals, general merchandise, textiles, and food within the Asian region and other regions. New investments during the A&P-2002 Mid-term Plan (from April 2001 to March 2003) include such prominent projects as LPG (Liquefied Petroleum Gas) production in Indonesia and refrigerated warehousing and fruit juice production in China. Company-wide and specific market development projects include our involvement in medium- to long-term projects in China and India.

We continue to take measures to expand profit in the A&P areas of consumer and retail related businesses (particularly textiles and foods), natural resource development, and chemical products. Within Asia, ITOCHU has a strong focus on China and we will continue to promote the development of business in this crucial market by expanding local trade and investing in local businesses through alliances with powerful Chinese corporations (see page 13 for our China strategy).

In addition, we promote local trade and investment by enhancing personnel and developing national staff members in Thailand, Singapore, Indonesia, India, and Vietnam.

### Other Regions

In Europe, ITOCHU Europe PLC. is expanding basic profitability by concentrating on the main sales groups of textiles, chemicals, general merchandise, and food. We aim to further enhance profitability by expanding our regional market trade through core companies such as Prominent (Europe) Ltd. (textiles), Stapleton's (Tyre Services) Ltd., and Reifen Gundlach GmbH (tire-related businesses), and by cultivating the Central and Eastern European markets that will be encompassed in an expanded European Union.

In Oceania, we are sharply expanding profit in the nat-

ural resource field through ITOCHU Coal Resources Australia Pty., Ltd. (coal) and CI Minerals Australia Pty., Ltd. (iron ore). We also aim to grow profit in the areas of wool, food, and general merchandise.

### Human Resource Strategies for Regional and Market Strategies

In order to promote regional and market strategies, the human resources capable of achieving those goals must be secured and developed. To promote local businesses, we will develop and place human resources in accordance with the characteristics of each region and market. We will carry this out by strengthening the abilities of our employees through overseas on-the-job training, utilizing retired employees through our system for posting specialists overseas, and enhancing the quality of national staff through our training system. In Asia in fiscal year 2002, we introduced the Asian Leadership Program (ALP) as a training system for the prospective national staff executives and began promoting the Asian Scholarship Program (ASP) as a training system for future mid-level managers of national staff. In fiscal year 2003, six national staff personnel participated in ALP and 14 in ASP. Going forward, we will further reinforce the development and education of our national staff, particularly in Asia.

