Textile Company

Hitoshi Okamoto
President, Textile Company

Strengths of the Textile Company

- Foresight and flexibility to make advance investments in promising businesses, creates new business models and replaces assets constantly
- Established dominant industry position thanks to tireless development of capabilities in brand businesses
- Businesses development ahead of competitors, targeting rapidly growing markets in China and Asia
- Unrivaled value chain strength and earning power in Japanese textile market

Main Initiatives in Fiscal 2010

- Increased sales for Chinese domestic market by collaborating with partner companies
- Expanded women's innerwear businesses in China
- Bolstered overall measures for apparel OEM businesses with new investee companies
- Undertook initiatives in apparel business area with the Shanshan Group and promoted cross-sectional initiatives in-house
- Invested in Watakyu Seimoa Corporation to enter the healthcare, nursing care, and welfare services business areas

Organizational Structure

Textile Company
- Textile Material & Fabric Division
- Apparel Division
- Brand Marketing Division 1
- Brand Marketing Division 2
- Planning & Administration Department
- Affiliate Administration Department
- IT Business Development Department

Our basic strategy is, first, to build value chains in the apparel products business area linking textile raw materials and fabrics through finished products. The second basic strategy is to increase and expand importing, licensing, sales channels, and product lineups and pursue the long-term stabilization of trade rights through a combination of alliances and acquisitions in brand businesses. Also, we are exploiting expertise garnered in the textile business to extend our business area to cover a general range of lifestyle-related categories. Focusing on China and Asia, we are expanding businesses in markets worldwide while seeking high-value-added products and services based on a rigorously customer-oriented mindset.

Fiscal 2010 Review
Accelerating Collaboration with Strategic Partners at Home and Abroad

In fiscal 2010, despite tough market conditions, the Textile Company made large investments in businesses promising immediate, solid earnings and streamlined business management by rigorously reducing expenses. As a result, gross trading profit edged up 0.1% year on year, to ¥102.7 billion. Meanwhile, net income attributable to ITOCHU declined 2.2% year on year, to ¥22.4 billion. And, total assets at the end of fiscal 2010 stood at ¥417.4 billion, up 15.8% from the previous fiscal year-end.

In fiscal 2010, the Japanese textile industry saw further market contraction and significant downturns in markets for textile raw materials, fabrics, and apparel. Similarly, markets in North America and Europe did not emerge from stagnation. By contrast, the Chinese market remained steady thanks to growing domestic demand underpinned by economic stimulus measures and, in particular, higher personal income.

Aiming to minimize the effect of credit unease and lackluster sales, the Textile Company rigorously managed credit risk and streamlined business management while accelerating initiatives with leading companies that have unshakable management platforms and excellent access to customers.

In the Chinese market, positioned as our most important business hub in Frontier[e] 2010, we advanced local sales through collaboration with partner companies. As well as stepping up collaboration in the textile business area with Shanshan Group Co., Ltd., which became an equity-method affiliate in February 2009, we advanced cross-sectional initiatives in-house in a range of business areas with the Shanshan Group. Further, we established a firm foothold from which to develop operations aggressively in China's rapidly growing women's

Business Results (Billions of Yen)

	2006	2007	2008	2009	2010
Gross trading profit	¥122.9	¥124.6	¥115.2	¥102.6	**¥102.7**
Equity in earnings (losses) of associated companies	(0.5)	1.5	2.0	3.6	**8.0**
Net income attributable to ITOCHU	15.0	17.1	20.5	22.9	**22.4**
Total assets at March 31	395.4	401.8	364.3	360.4	**417.4**
ROA (%)	3.9	4.3	5.4	6.3	**5.8**

Years ended March 31

Net Income from Major Group Companies (Billions of Yen)

	2006	2007	2008	2009	2010
ITOCHU Textile Prominent (ASIA) Ltd.*	¥0.0	¥0.6	¥0.6	¥0.6	**¥0.5**
ITOCHU TEXTILE (CHINA) CO., LTD.	0.5	0.9	0.9	1.0	**0.9**
JOI'X CORPORATION	1.2	1.1	0.9	0.4	**0.1**

Years ended March 31

* Company name changed on February 23, 2010 (Former company name: Prominent Apparel Ltd.)

innerwear market by making a major women's innerwear group, Dalian Yawen Underwear Co., Ltd., an equity-method affiliate. Dalian Yawen Underwear Co., Ltd., has been ITOCHU's trading partner since 1998.

In Japan, JAVA HOLDINGS CO., LTD., and LEILIAN CO., LTD., became consolidated subsidiaries. Together with SANKEI CO., LTD., which became a consolidated subsidiary in fiscal 2009, those new subsidiaries pave the way for developing operations in the Japanese market and overseas markets centered on China with a view to vitalizing the apparel OEM business.

In brand businesses, we developed operations not only in the textile business area but also in the Consumer-Related Sector as a whole. At the same time, we stepped up the pace of overseas operational development, a strategy that LeSportsac, Inc., best exemplifies.

Other initiatives included laying steppingstones in the Life & Healthcare business area—likely grow as society ages—by concluding a capital and operational tie-up with Watakyu Seimoa Corporation, the largest supplier of hospital linen in Japan.

Fiscal 2011 Strategies

Aiming to Increase Earning Power by Strengthening Marketing Capabilities

Business conditions in the textile industry will likely remain tough, particularly in Japan. In response, the Textile Company intends to strengthen risk management and other aspects of business management while adding to marketing capabilities and expanding businesses.

Further, the Textile Company will expand initiatives with its affiliates, exchange personnel, and share management expertise in order to raise the earning power of the Division Company as a whole.

Also, we intend to continue strengthening cross-sectional initiatives with the Shanshan Group in the fast-growing Chinese market. In addition, the Division Company will step up joint efforts with China's leading apparel group Youngor Group Co., Ltd., with which we have an existing alliance. And, plans call for expanding new business areas by entering non-store retailing such as television shopping operations.

Topics

Bolstering Initiatives with Leading Companies in Japan and Overseas

LEILIAN shop

MARUKO shop

The Division Company is advancing capital and operational alliances with first-rate Japanese and non-Japanese companies that offer solid management platforms or outstanding points of contact with customers.

Reflecting that strategy, we made a leading garment accessories company, SANKEI CO., LTD., a subsidiary in October 2008, and we took a 28% stake in one of China's major corporate groups, Shanshan Group Co., Ltd., in February 2009. Fiscal 2010 initiatives based on that strategy included taking a 25% stake in the largest player in the healthcare and welfare services industry, Watakyu Seimoa Corporation, in August 2009, making the women's apparel group, JAVA HOLDINGS CO., LTD., a subsidiary in November 2009, and making LEILIAN CO., LTD., a subsidiary in January 2010.

In another initiative in China, we acquired a 28% interest in one of China's major women's innerwear companies, Dalian Yawen Underwear Co., Ltd., in September 2009. The aim of that initiative is to establish a strategic platform in the women's innerwear market in China, the market which continues to grow more than 30% a year, as well as to launch a foray into the market for corrective undergarment by forming a tie-up between Dalian Yawen Underwear Co., Ltd., and ITOCHU associate company MARUKO CO., LTD. Through such initiatives in respective regions and areas of the textile industry, the Textile Company will realize synergies throughout the ITOCHU Group and advance strategies in growing markets even more rapidly.

Machinery Company

Toru Matsushima
President, Machinery Company

Strengths of the Machinery Company

- **Builds and maintains independent sales networks in regions worldwide for businesses handling plant, ships, automobiles, and construction machinery by increasing the overseas deployment of personnel**
- **Extensive track record in providing total solutions covering the discovery of various types of large-scale plant projects through to arranging of finance and other project formation and facilitation activities; delivery of equipment; investment, development, and operation of businesses in the Infrastructure areas; and provision of a wide variety of after-sales services**
- **Strong relationships with strategic partners in its automobile businesses and long track record of trading in North America, Europe, and emerging markets**

Main Initiatives in Fiscal 2010

- **Participated in Australia's largest seawater desalination PPP* project**
- **Completed development of the first biomass power generation project in North America**
- **Concluded agreement on establishing first production and distribution company for reverse osmosis membrane elements for seawater desalination in Saudi Arabia**
- **Purchased additional shares of Century Tokyo Leasing Corporation and stepped up collaboration with it**
- **Established an automobile dealer in Thailand**

* Public-private partnership: a contract format in which the public and the private sectors jointly conduct projects

Organizational Structure

Machinery Company
- Plant Project & Marine Division
- Automobile & Construction Machinery Division
- Planning & Administration Department
- Affiliate Administration Department

* From the fiscal year ending March 31, 2011, the former Automobile Division and the former Isuzu & Construction Machinery Division merged to create the Automobile & Construction Machinery Division. As a result, the Machinery Company includes two divisions: the new division and the Plant Project & Marine Division.

The Machinery Company is involved in a broad range of business areas from large-scale plants for gas, petrochemicals, and electric power through to such social infrastructure as roads, railways, and bridges, and other business areas, including ships, automobiles, and construction machinery. Aiming to benefit and enrich the global economy, we not only develop businesses in Japan but also trade and invest in businesses around the world. Furthermore, we are taking steps to create new earnings platforms by developing businesses related to water resources and the environment as well as to renewable and alternative energy.

Fiscal 2010 Review
Exploiting Heavier Demand for Environmental Projects and New Energy amid Recession

In fiscal 2010, the Machinery Company recorded a 39.8% year-on-year decline in gross trading profit, to ¥43.3 billion. However, thanks in part to special factors such as the absence of the previous fiscal year's impairment loss on automobile-related investment and reserve for tri-nation trade transactions in Mongolia, net income attributable to ITOCHU increased ¥19.1 billion, to ¥3.7 billion, compared with the previous fiscal year's net loss attributable to ITOCHU of ¥15.5 billion. Further, total assets at the end of fiscal 2010 amounted to ¥545.0 billion, down 14.8% from the previous fiscal year-end.

Having begun from the second half of the previous fiscal year, the worldwide recession continued unabated in fiscal 2010. As a downturn among developed nations centered on North America and Europe persisted, demand for automobiles and construction machinery decreased sharply. In response to that unprecedented crisis, the Machinery Company took steps steadily in order to further strengthen risk management for inventory and credit exposure. Also, we replaced assets and took other measures to restructure operations involved with markets in North America and Europe. At the same time, viewing the changes in business conditions as an opportunity, we rebuilt our asset portfolio by accumulating highly profitable assets. With a view to *discovering and building new businesses*, one of the priority measures of Frontier[e] 2010, we focused particularly on emerging countries, which recovered from the recession ahead of other nations, and environment-related business areas, which are less susceptible to fluctuations in the business climate.

In the Plant Project & Marine Division, we moved forward with initiatives in businesses related to renewable and alternative energy and social infrastructure development projects. In North America, a company engaged in the development of biomass power projects, in which we hold a stake through an IPP (independent

Business Results (Billions of Yen)

	2006	2007	2008	2009	2010
Gross trading profit	¥ 68.7	¥ 89.3	¥ 99.1	¥ 71.9	**¥ 43.3**
Equity in earnings of associated companies	6.4	5.8	4.8	1.8	**10.5**
Net income attributable to ITOCHU	12.7	19.9	21.4	(15.5)	**3.7**
Total assets at March 31	501.8	652.9	709.7	639.9	**545.0**
ROA (%)	2.6	3.5	3.1	(2.3)	**0.6**

Years ended March 31

Net Income (Loss) from Major Group Companies (Billions of Yen)

	2006	2007	2008	2009	2010
ITOCHU CONSTRUCTION MACHINERY CO., LTD.	¥0.4	¥ 0.7	¥ 0.8	¥ 0.4	**¥ 0.5**
MCL Group Limited	0.4	(0.4)	(2.6)	(2.5)	**(0.6)**
ITOCHU Automobile America Inc.	1.1	1.2	0.6	(1.6)	**(1.0)**
Century Tokyo Leasing Corporation*	1.3	1.6	1.5	1.0	**6.8**

Years ended March 31

* On April 1, 2009, Century Leasing System, Inc., and Tokyo Leasing Co., Ltd., merged to form Century Tokyo Leasing Corporation.

power producer) subsidiary, sold one of the largest woodchip-fired biomass power plants in the United States to a major utility firm. The success of the first project represents a significant milestone in the promotion of biomass power plant development by the Machinery Company. Further, the Machinery Company developed seawater desalination-related projects in Australia and the Middle East, regions where pressure on water supplies is rapidly increasing. In July 2009, we participated in Australia's largest seawater desalination project. Furthermore, in March 2010, we reached an agreement with Toyobo Co., Ltd., and Arabian Company for Water & Power Development (APD) to jointly establish a company for the production and distribution of reverse osmosis membrane elements for seawater desalination in Saudi Arabia.

In the Automobile Division, aiming to take advantage of the rapid increase in demand for motor vehicles in Asia and emerging countries, we established foundations for future development by coordinating closely with strategic partners in Japan and overseas as well as stepping up initiatives to develop automobile retail and financing businesses. For example, we established an automobile dealer for Suzuki vehicles in Thailand.

In the Isuzu & Construction Machinery Division, we strengthened initiatives with our close strategic partner Isuzu Motors Limited and sought market strategies and new initiatives in regions worldwide including Japan. In related developments in Japan, Isuzu Motors transferred its domestic sales division to Isuzu Network Co., Ltd., in April 2010. The Machinery Company will continue helping to strengthen Isuzu Network's domestic sales strategies.

Fiscal 2011 Strategies
Accumulating Strategic Highly Profitable Assets and Securing Stable Earnings

In fiscal 2011, the final year of Frontier[e] 2010, given that certain aspects of business conditions remain challenging, the Machinery Company will concentrate its efforts on revising existing business models while discovering or building new businesses. In the Plant Project & Marine Division, we will strengthen collaboration with strategic partners in order to further advance IPP projects and social infrastructure-related initiatives. In particular, we plan to focus on renewable energy and businesses involved in water resources. In the Automobile & Construction Machinery Division, as well as developing businesses in Asia and emerging countries, we will redouble efforts for automobile financing businesses. While continuing to scrutinize asset efficiency, we intend to enhance earning power by investing in promising new businesses.

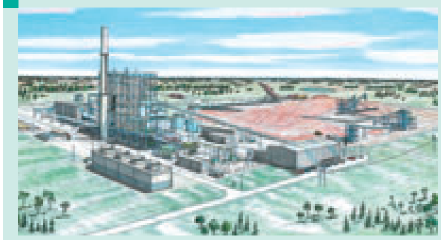
Topics

Participating in Australia's Largest Seawater Desalination PPP Project

The AquaSure consortium, of which the Machinery Company is a member, was selected by the Victorian Government of Australia as a preferred bidder for the Victorian Desalination Project, one of the world's largest seawater desalination projects (daily water supply of approximately 400 thousand tons).

Upon completion at the end of 2011, that project—entailing the construction of everything from seawater desalination facilities through to water intake and transmission facilities and power transmission line facilities—will provide a reliable water supply to Melbourne and surrounding regions for 27 years. Through practical experiences earned from seawater desalination projects in the Middle East, we will accelerate and expand our activities in the water sector for such countries as Australia and Asian nations, where pressure on water supplies is rapidly increasing.

Accelerating Power Plant Projects in North America



In response to the accelerated introduction of renewable energy in the United States, we established American Renewables, LLC, in August 2008 through our IPP subsidiary Tyr Energy, Inc., in order to advance development of biomass power projects. In fall 2009, we completed the development phase of the first project, the Nacogdoches Power Project, in eastern Texas, and sold it to Southern Company, one of the largest utilities in the United States. Through this, the first and largest of its project developments, the Machinery Company will continue active involvement in power generation plant projects in the United States.

ICT, Aerospace & Electronics Company

Hiroo Inoue
President, ICT, Aerospace & Electronics Company

Strengths of the ICT, Aerospace & Electronics Company

- **IT solutions businesses, centered on ITOCHU Techno-Solutions Corporation, with top-ranked earning power among general trading companies**
- **Operates nationwide distribution network for mobile handsets through ITC NETWORKS CORPORATION**
- **Large share of market for manufacturing and distributing aircraft interior equipment**
- **Broad spectrum of business in such business areas as energy storage devices, industrial machinery, and electronic systems in Japan and overseas**

Main Initiatives in Fiscal 2010

- **Underwrote third-party allocation of new shares by Ener1, Inc., which is the parent company of a U.S. manufacturer of lithium-ion batteries for vehicles**
- **Began the Joint Demonstration Project on Low-Carbon Transportation System Using Clean Energy**
- **Launched business that uses IT to cater to companies' energy-saving needs, such as compliance with the Revised Energy Conservation Law**

Organizational Structure

ICT, Aerospace & Electronics Company
- ICT & Media Division
- Aerospace & Industrial Systems Division
- Planning & Administration Department
- Affiliate Administration Department

The ICT, Aerospace & Electronics Company develops businesses in a wide range of business areas relating to IT services, media, the Internet, mobile equipment and services, aircraft, and industrial machinery. In those business areas, our industry-leading affiliates are further strengthening their core operations. Also, with a view to catering to environment-friendly and energy-saving needs, we are aggressively developing new businesses and technologies in such business areas as energy storage devices and environmental IT or green technology.

Fiscal 2010 Review

Taking a Large Stride Forward in the Energy Storage Device Business Area

In fiscal 2010, the ICT, Aerospace & Electronics Company recorded a 1.7% year-on-year decrease in gross trading profit, to ¥136.4 billion. Partly due to the recognition of impairment losses on investments, net income attributable to ITOCHU was down 25.0% year on year, to ¥6.0 billion. Also, total assets at the end of fiscal 2010 amounted to ¥513.2 billion, an increase of 4.7% from the previous fiscal year-end.

In the fiscal year, as most companies curbed IT and capital investment and lowered advertising budgets, we reduced inefficient assets while securing stable earnings platforms and stepping up initiatives in growing business areas. Further, in the commercial aviation business area, which a slump in the aerospace industry affected, we strengthened earnings platforms by expanding initiatives in upstream business areas.

The ICT, Aerospace & Electronics Company steadily advanced efforts in core operations to *expand and improve earnings platforms,* which is a key measure of Frontier[e] 2010, while steadily taking on the challenge of developing new business areas related to new technologies and industries.

As part of those efforts in core operations to expand and improve earnings platforms, we shifted initiatives toward growing business areas. For example, in the IT services business area we expanded service businesses that are less susceptible to fluctuation in the business climate, such as data centers and virtual hosting businesses. In the mobile equipment and services business area, which saw lower handset unit sales due to a change in the mobile handset models on sale, we viewed the lengthening of the handset replacement cycle as a business opportunity and concentrated efforts on expanding insurance and warranty services for mobile handsets. In mobile handset sales businesses, we strengthened our sales organization for corporate clients, as a market that is likely to expand

Business Results

(Billions of Yen)

	2006	2007	2008	2009	**2010**
Gross trading profit	¥116.4	¥133.5	¥139.0	¥138.9	**¥136.4**
Equity in earnings (losses) of associated companies	1.8	(1.5)	(1.2)	0.3	**2.1**
Net income attributable to ITOCHU	17.2	11.2	14.6	8.0	**6.0**
Total assets at March 31	524.7	551.2	513.9	490.2	**513.2**
ROA (%)	3.4	2.1	2.7	1.6	**1.2**

Years ended March 31

Net Income (Loss) from Major Group Companies

(Billions of Yen)

	2006	2007	2008	2009	**2010**
ITOCHU Techno-Solutions Corporation	¥6.6	¥7.4	¥ 8.1	¥ 6.9	**¥ 6.8**
ITC NETWORKS CORPORATION	2.1	1.8	1.7	1.6	**1.6**
Excite Japan Co., Ltd.	0.6	0.2	(1.1)	(1.4)	**0.0**
SPACE SHOWER NETWORKS INC.	0.2	0.2	0.2	0.1	**(0.1)**

Years ended March 31

* The figures for ITOCHU Techno-Solutions Corporation are based on a calculation that includes the figures for CRC Solutions Corp.

due to demand for more robust information security and reduction of telecommunications cost. Those initiatives succeeded, and the solid earning capabilities of core IT services and mobile equipment and services businesses underpinned the Division Company's earnings.

In initiatives to develop new business areas, with our sights set on the rapidly forming electric vehicle (EV) market, in the energy storage device business area we accelerated the efforts to increase trading in battery products, production machinery, and materials and to develop new service models centered on energy storage devices. In December 2009, we underwrote a third-party allocation of new shares by Ener1, Inc., which is the parent company of EnerDel, Inc., a manufacturer of lithium-ion batteries for vehicles.

Demonstration tests using EnerDel's battery systems are underway in the Joint Demonstration Project on Low-Carbon Transportation System Using Clean Energy. That project is a joint effort between Tsukuba City, Japan, and a group of collaborating companies, including many ITOCHU Group companies. Moreover, the project is contributing to the creation of a new industry.

Fiscal 2011 Strategies

Streamlining Existing Businesses while Strengthening the Development of New Growth Shoots

In fiscal 2011, the second year of Frontier^e 2010, we will reinforce and expand existing earnings platforms in such business areas as IT services, aerospace, and industrial machinery, with a particular emphasis on business development in China, Asia, and other overseas growing markets. Meanwhile, in the green technology business area and energy storage device businesses we intend to focus efforts on the early establishment of new profit-making operations catering to environment-friendly and energy-saving needs.

While expanding earnings platforms, we will streamline them by disposing of low-efficiency and loss-making assets. At the same time, we aim to shift the allocation of management resources appropriately in order to build a highly profitable business organization.

Topics

Launching the Joint Demonstration Project on Low-Carbon Transportation System Using Clean Energy

Since March 2010, Tsukuba City, Japan, and participating companies have been jointly conducting Demonstration Tests on Low-Carbon Transportation System Using Clean Energy. Focusing on multidisciplinary initiatives, many of which are the first of their kind in Japan, the project is tasked with developing battery systems for stationary applications and vehicles as well as systems that enable the effective use of electricity from solar power generation in EVs and stores.

ITOCHU Techno-Solutions Corporation and many other ITOCHU Group companies are participating in the project, while EnerDel, Inc., is providing battery systems.

Making a Significant Advance in the Energy Storage Device Business Area by Underwriting New Shares of Ener1

We deepened our relationship with Ener1, Inc., of the United States, which has strengths in core technologies for clean energy, by underwriting its third-party allocation of new shares in December 2009. In the Ener1 Group, EnerDel, Inc., manufactures lithium-ion batteries for vehicles and is the only company in the United States that has facilities enabling the integrated development and production of lithium-ion batteries for vehicles from electric cells through to battery systems. The underwriting of new shares was a strategically important initiative for ITOCHU, given its positioning of energy storage devices as a priority L-I-N-E-s business area.

Energy, Metals & Minerals Company

Yoichi Kobayashi
President, Energy, Metals & Minerals Company

Strengths of the Energy, Metals & Minerals Company

- **Top-ranked earnings platforms and asset efficiency among general trading companies due to highly profitable equity interests**
- **Best oil-trading business lines among general trading companies**
- **Building well-balanced portfolios in resources development operations in terms of products and regions**
- **Second in the world in annual trading of uranium ore**

Main Initiatives in Fiscal 2010

- **Expanded production capacity of existing interests (iron ore and alumina) in Australia, implemented additional development on existing oil and gas projects (Sakhalin-1 and Azerbaijan ACG)**
- **Made steady progress in NAMISA project**
- **Expanded international coal trade**
- **Expanded steel product trade by strengthening alliance with Marubeni-Itochu Steel Inc.**
- **Established joint venture in Malaysia for solid biomass fuel production**

Organizational Structure

Energy, Metals & Minerals Company
- Metal & Minerals Division
- Energy Division
- New Energy Department
- Planning & Administration Department
- Affiliate Administration Section

We are working to advance discovery and development of upstream interests as well as to build value chains based on the upstream interests, generate synergies between development and trade, and thereby achieve business expansion. In addition, we are steadily making preparations in the areas of the Environment & New Energy, which is a key business area of L-I-N-E-s, such as biomass and uranium ore. Through long-term and stable supply to multiple countries that need resources, we will contribute to the growth of the global economy.

Fiscal 2010 Review

Expanding Production Capacity of Existing Interests and Achieving Profitability in Newly Acquired Interests Rapidly

In fiscal 2010, the Energy, Metals & Minerals Company recorded gross trading profit of ¥141.6 billion, down 36.3% from the previous fiscal year. Net income attributable to ITOCHU was down 42.8%, to ¥65.7 billion. In the previous fiscal year, we recorded a loss due to the withdrawal from the Entrada Oil / Natural Gas project in the United States, and the resulting rebound effect had a positive influence on earnings in the year under review. However, income was adversely affected by sluggish conditions in natural resources and energy markets in the first half of the fiscal year. Total assets at the end of fiscal 2010 were up 22.9% from the previous fiscal year-end, to ¥1,249.0 billion.

In fiscal 2010, we formulated countermeasures to the dramatic fluctuations in the prices of natural resources and energy, such as cost reductions. At the same time, we moved forward with initiatives under three key measures of Frontier[e] 2010.

In accordance with the first key measure, we expanded production capacity of existing interests in natural resources and increased earnings from newly acquired projects. In Australia, which is the major region of our natural resources development operations, we implemented the expansion (RGP4 and RGP5) of multiple mines jointly operated with a major resource company, BHP Billiton Group, and other companies. We also approved the pre-sanction funding for the next expansion plan (RGP6). Other investments included initiatives to expand alumina refining operations. In oil and gas development, in the Azerbaijan ACG field and in Sakhalin-1, we moved forward with additional development targeting expanded production. In fiscal 2010, full-scale operations got underway at NAMISA, in which we took an equity position in the previous fiscal year. Leveraging NAMISA's infrastructure, we are making steady operational progress. (For more information, please see Special Feature: Supporting Stable Supplies of Natural Resources and Energy on pages 24–27.)

As for the second key measure, we reinforced trade in individual products. To respond to growing demand in emerging countries, especially in China, we

Business Results (Billions of Yen)

	2006	2007	2008	2009	2010
Gross trading profit	¥ 73.9	¥102.1	¥127.5	¥ 222.3	¥ 141.6
Metals & Minerals	48.2	46.5	50.0	110.7	55.0
Energy	25.6	55.6	77.5	111.6	86.6
Equity in earnings of associated companies	24.0	27.1	25.5	24.7	9.2
Net income attributable to ITOCHU	58.0	80.7	105.7	114.7	65.7
Total assets at March 31	644.4	781.4	916.6	1,016.6	1,249.0
ROA (%)	10.2	11.3	12.5	11.9	5.8

Years ended March 31

Net Income from Major Group Companies (Billions of Yen)

	2006	2007	2008	2009	2010
ITOCHU Metals Corporation	¥ 1.0	¥ 1.2	¥ 1.4	¥ 1.4	¥ 0.8
ITOCHU Petroleum Japan Ltd.	2.5	5.1	3.6	5.0	0.8
ITOCHU Minerals & Energy of Australia Pty Ltd	25.9	28.9	38.5	71.2	34.1
ITOCHU Oil Exploration (Azerbaijan) Inc.	5.2	21.2	33.4	26.1	6.9
Marubeni-Itochu Steel Inc.	15.9	16.8	16.9	14.8	2.7

Years ended March 31

expanded international trade in coal. In steel products trade, we continued to advance our alliance with Marubeni-Itochu Steel Inc., and we concluded contracts for steel rails and other materials for iron ore development projects in Australia.

Based on the third key measure, we strengthened our Environment & New Energy business, where business opportunities are expanding on a global scale with support from policy initiatives in major countries. We enhanced our organization and advanced initiatives for new businesses by, for example, establishing the New Energy Department on April 1, 2009.

In biomass fuel, together with FELDA Palm Industries Sdn Bhd, the world's largest palm oil producer, we established a joint venture company in Malaysia to produce solid biomass fuel. We have already established a sales channel for this fuel, and we expect this project to make a steady contribution to earnings in the years ahead.

In line with the need to reduce emissions of greenhouse gases, there are growing business opportunities related to the expansion of nuclear power generation in countries around the world. In this setting, the Energy, Metals & Minerals Company has reinforced its initiatives targeting the area of upstream interests for uranium ore. In fiscal 2010, we participated in a feasibility study for a uranium development project in Western Australia and in a development project in Namibia. The development project in Namibia is at a large-scale mine with one of the world's highest levels of resources, and we expect this project to lead to the stable supply of uranium ore resources to Japan.

Fiscal 2011 Strategies

Aiming to Establish a Foundation for Stable and Sustainable Earnings

The fundamental policy of the Energy, Metals & Minerals Company is to establish a foundation for stable and sustainable consolidated net income of more than ¥100.0 million. To that end, the Division Company will work to increase production attributable to ITOCHU by expanding production capacity of existing interests and generating certain profits from newly acquired interests. In addition, we will strive to discover superior new projects. And through synergies with existing upstream interests, we will strive to expand existing trade and secure new trade. We will also further bolster businesses in Environment & New Energy such as uranium ore, biomass, and bioethanol. In the future, the Division Company will contribute to the sustainable growth of the global economy by providing a stable supply to meet demand for natural resources and energy in emerging countries, which are expected to continue to expand, and by developing businesses that contribute to environmental conservation.

Topics

Participation in One of the World's Largest Uranium Ore Projects through the Acquisition of Kalahari Minerals plc

Through a subsidiary in Australia, we acquired shares of Kalahari Minerals plc. Kalahari is the biggest shareholder of Extract Resources Limited, which owns 100% of the interests in the Rossing South uranium deposit in Namibia. Rossing South is positioned to become a leading uranium mine in the world, and is currently under a feasibility study targeting first production in 2013. We will aggressively advance this project, which is one of the largest uranium projects in the world, with full support from the Agency for Natural Resources and Energy as well as financial and technical assistance from Japan Oil, Gas and Metals National Corporation (JOGMEC). The Division Company will strive to make a significant contribution to the stable supply of uranium to Japan.

Building New Crude Oil Production Platform at ACG Field in Caspian Sea

ITOCHU, its consortium partners, and the State Oil Company of Azerbaijan Republic (SOCAR) have decided to invest in the Chirag Oil Project, which is expected to further increase crude oil production in the ACG field in the Caspian Sea in Azerbaijan.

With a total investment of $6.0 billion, this project entails the construction of a new production platform, with production slated to start in 2013. The development is expected to produce approximately 360 million additional barrels of oil and will make a significant contribution to production attributable to ITOCHU.

PHOTO: Courtesy of AIOC (Azerbaijan International Operating Company)

Chemicals, Forest Products & General Merchandise Company

Satoshi Kikuchi
President, Chemicals, Forest Products & General Merchandise Company

Strengths of the Chemicals, Forest Products & General Merchandise Company

- **Competitive advantages in building materials-related businesses in North America and Japan**
- **Competitive pulp production businesses in Brazil and a global sales network in pulp and paper segment**
- **Global procurement capacity and sales network that meet robust demand in chemical area from China and Asia**
- **A diverse lineup of competitive products: basic chemicals, plastics, electronic materials, and pharmaceutical raw materials**
- **A global sales network for synthetic fiber raw materials and commodity plastics**

Main Initiatives in Fiscal 2010

- **Made C.I. Kasei Co., Ltd., a privatized subsidiary**
- **Established a tire production and sales company in Russia jointly with The Yokohama Rubber Company, Limited**
- **Capital participation in Hangzhou New Huahai Business & Trading Co. Ltd., a leading China's general merchandise wholesaler**
- **Established a lithium-ion battery cathode material plant in North America jointly with Toda Kogyo Corp.**

Organizational Structure

Chemicals, Forest Products & General Merchandise Company

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

The Chemicals, Forest Products & General Merchandise Company maintains close ties, through its operations, with a variety of industries ranging from raw materials to finished products, meeting a broad range of customer needs from a global perspective. The Division Company is developing business in new business areas, including Environment & New Energy and Life & Healthcare, which are key areas of L-I-N-E-s, as it strives to construct a new earnings platform.

The Forest Products & General Merchandise Division, which has adopted "the home and living" as its keywords, is actively engaged in all of the value chains by expanding its operations and trading activities in such segments as building products & materials, pulp and paper, and rubber and tires.

The Chemicals Division also has an extensive product portfolio, ranging from various petrochemicals to pharmaceutical products and electronic materials. This division conducts a global trading business involving these items. The division is working to create a well-balanced portfolio through strategic operational investments in China and Asia, as well as in Europe and the United States.

Fiscal 2010 Review
Replacing Assets and Accumulating Solid Assets to Expand Trading Profit

In fiscal 2010, the Chemicals, Forest Products & General Merchandise Company experienced a 3.7% decline in gross trading profit, to ¥110.1 billion. Net income attributable to ITOCHU, however, increased 1.3% year on year, to ¥19.3 billion. Total assets at the end of fiscal 2010 were ¥728.0 billion, up 19.1% from the previous fiscal year-end.

In fiscal 2010, various government economic stimulus packages succeeded in spurring a global economic recovery, which supported a recovery in demand for tires and natural rubber, pulp, chemicals, and such petrochemicals as the raw materials for plastics. The Forest Products & General Merchandise Division reinforced its trading capabilities in the pulp and tire segments by strengthening its overseas sales networks. In Japan, however, the building products & materials business suffered a decrease in its earnings year on year due to the effects of the lowest number of new housing starts since 1964, below 800,000 units.

The Chemicals Division, meanwhile, improved its earnings year on year, as it used its global product procurement function to meet robust demand in China.

One of the key measures of Frontier[e] 2010 is to *expand and improve earnings platforms*. Reviewing operations from this perspective, PrimeSource Building Products, Inc., a leading distributor of building products & materials in North America, contributed to overseas earnings. In the North American market, this

Business Results (Billions of Yen)

	2006	2007	2008	2009	**2010**
Gross trading profit	¥111.1	¥126.2	¥122.6	¥114.3	**¥110.1**
Forest Products & General Merchandise	72.7	79.4	74.3	66.0	**50.3**
Chemicals	38.4	46.8	48.3	48.3	**59.8**
Equity in earnings of associated companies	2.8	2.3	2.0	2.9	**1.6**
Net income attributable to ITOCHU	18.6	24.8	19.7	19.0	**19.3**
Total assets at March 31	634.3	716.8	766.8	611.4	**728.0**
ROA (%)	3.1	3.7	2.7	2.8	**2.9**

Years ended March 31

Net Income (Loss) from Major Group Companies (Billions of Yen)

	2006	2007	2008	2009	**2010**
ITOCHU Kenzai Corp.	¥0.8	¥2.4	¥0.3	¥(1.0)	**¥0.2**
ITOCHU Pulp & Paper Corp.	1.1	0.8	0.6	0.1	**0.2**
ITOCHU CHEMICAL FRONTIER Corporation	1.3	1.8	1.8	1.1	**1.9**
ITOCHU PLASTICS INC.	2.6	3.2	3.1	1.6	**1.9**
PrimeSource Building Products, Inc.	7.7	7.4	6.4	8.3	**4.7**

Years ended March 31

subsidiary strove to minimize the effects of falling market prices, as new housing starts in the U.S. fell to approximately 550,000 units—the lowest level on record.

Higher earnings from our polyester raw materials business in Ningbo, China, contributed to overseas earnings, demonstrating that we have built a quality asset capable of generating stable revenues. We also laid the steppingstones for earning expansion in fiscal 2011 and beyond by making strategic and aggressive investments in business areas promising long-term growth. For example, we established jointly with The Yokohama Rubber Company, Limited, a tire manufacturing and sales company in Russia. We also made a tender offer for an additional stake in C.I. Kasei Co., Ltd., a core associate in our plastics business, and made this company a privatized subsidiary.

Overseas in chemicals-related businesses, we invested in Hangzhou New Huahai Business & Trading Co., Ltd., a leading Chinese general merchandise wholesaler. This subsidiary and Beijing ITOCHU-Huatang Comprehensive Processing Co., Ltd., another ITOCHU subsidiary, have a complementary relationship in terms of products handled and sales routes. Through this investment, we expect to create a stronger foundation for our earning base in the general merchandise area. In addition, to augment our business in areas related to the Environment & New Energy, a focus of Frontier[e] 2010, we set up a lithium-ion battery cathode material plant in North America jointly with Toda Kogyo Corp.

Fiscal 2011 Strategies
Strengthen Existing Profit-Generating Businesses and Build Foundations for New Ones

In fiscal 2011, the second year of Frontier[e] 2010, we aim to continue boosting trading profit, augment and nurture profit-generating businesses, and invest strategically in key operational areas, including new business domains.

In the Forest Products & General Merchandise Division, the sales network we have created in the pulp and paper segment has made us the world's leading pulp trader. In fiscal 2011, we will further reinforce this network and expand into related areas of business. In the building products & materials segment, we will continue to improve the profit-generation capacity of our businesses. In the tire segment, we will pursue a global strategy that combines trading and operations, as we concentrate on shaping this business into a new pillar of profit generation.

In the Chemicals Division, we will reinforce our global trading capabilities while targeting stable profit generation. In addition to our upstream strategy, we plan to continue investing in operations in new business domains, including businesses related to pharmaceuticals and secondary batteries.

Topics

Joint Establishment of Tire Manufacturing and Sales Company in Russia with Yokohama Rubber

Jointly with The Yokohama Rubber Company, Limited, we established YOKOHAMA R.P.Z. L.L.C., a tire manufacturing and sales company in Russia, with ITOCHU investing 20%. Located in a special economic zone in Lipetsk, Russia, this company is slated to commence operations in September 2011, and construction has begun of a plant capable of manufacturing 1.4 million tires per year. Concurrently, we raised our stake in YOKOHAMA RUSSIA L.L.C., a joint venture company we established in Moscow with Yokohama Rubber in April 2005, from 14.9% to 20%. Through these two joint ventures, we plan to enhance our ties with Yokohama Rubber, as we cooperate to expand manufacturing and sales of Yokohama tires in Russia.

Joint Establishment of Lithium-Ion Battery Cathode Material Plant in North America with Toda Kogyo

In the U.S. state of Michigan, jointly with Toda Kogyo Corp. we have established a joint venture to produce and distribute materials for lithium-ion battery cathodes. Construction began in the spring of 2010, and the plant is scheduled to commence operations in 2011. By 2015, we intend to expand the plant's annual capacity to manufacture enough materials for 80,000 electric vehicles. At the same time, we converted a Toda Kogyo subsidiary in Ontario, Canada, into a joint venture that manufactures raw materials for cathode production. By jointly managing these businesses, we will be able to create an integrated manufacturing and sales operation ranging from raw material procurement to the delivery of finished cathodes. Building manufacturing bases in North America through these joint businesses will allow us to enter into the United States, Europe and other markets that are expected to grow further.

Food Company

Yoshihisa Aoki
President, Food Company

Strengths of the Food Company

- **Global expansion of SIS (Strategic Integrated System) strategy**
- **Firm operating platforms established in all areas—upstream, mid-stream, and downstream**
  - Upstream: Solid overseas food resource supply systems, such as grain-handling operations
  - Midstream: One of Japan's top-ranked food distribution networks covering all temperature ranges
  - Downstream: Points of contact with consumers centered on FamilyMart Co., Ltd., that give accurate feedback on consumer needs to upstream operations
- **Strategic tie-ups with leading companies in China to develop the SIS strategy in China**
- **Top-ranked among food divisions of general trading companies in Japan, in terms of net income**

Main Initiatives in Fiscal 2010

- **Made TING HSIN (CAYMAN ISLANDS) HOLDING CORP. an affiliate, which is the holding company for the Ting Hsin Group, a major food business group with operations in China and Taiwan.**
- **Advanced initiatives with the Ting Hsin Group and COFCO Limited in China**
- **Agreed to participate in the establishment of one of the largest export grain terminals (EGTs) on the west coast of the United States.**
- **Invested in an Australian dairy products manufacturer with the aim of expanding sales of milk powder in Asia**
- **Concluded capital and business alliance agreements with each of UNY Co., Ltd., and Izumiya Co., Ltd., major domestic retail companies**
- **Commenced a tender offer for shares of NIPPON ACCESS, INC.**

Organizational Structure

Food Company

- Provisions Division
- Fresh Food & Food Business Solutions Division
- Food Products Marketing & Distribution Division
- China Business Development Department
- Business Process Operation Department
- Planning & Administration Department
- Affiliate Administration Department

The Food Company globally advances and develops Strategic Integrated System (SIS) strategy that realizes efficient, customer-driven production, distribution, and sales by organically linking food resources development, food resources supply, product processing, midstream distribution, and retail. Our objective is to become the leading company in the food industry in Japan, China, and Asia by upgrading controls for food safety and by leveraging tie-ups with partners in Japan and overseas.

Fiscal 2010 Review
Advancing SIS Strategy in the Global Market

In fiscal 2010, the Food Company recorded gross trading profit of ¥335.5 billion, almost the same as that of the previous fiscal year. Net income attributable to ITOCHU was up 37.8%, to ¥27.8 billion. Total assets at the end of fiscal 2010 were ¥1,130.7 billion, up 7.3% from the previous fiscal year-end.

Accompanying sluggish economic growth in recent years, the domestic food industry has come off its peak. Over the medium- to long-term, the domestic food industry is expected to face shrinking demand against the background of an aging population, fewer children, and declining numbers of consumers. In fiscal 2010, consumer spending remained conservative, and the demand-supply gap accelerated the move toward industry reorganization. In addition, the industry was marked by intensifying competition that transcended the traditional industry framework of manufacturers, wholesalers, and retailers. The Food Company has been able to secure revenues and earnings, even in a difficult environment, by responding appropriately to these dramatic fluctuations in its operating environment and advancing the domestic SIS strategy. In downstream operations, we concluded capital and business alliances with UNY Co., Ltd., and Izumiya Co., Ltd., respectively, thereby bolstering our tie-ups to boost our ability to respond to changes in the structure of consumption. In midstream operations, to strengthen our business in the intermediary distribution area, which is positioned as the pivot of the value chain, we commenced a tender offer for shares of NIPPON ACCESS, INC. (Note: the tender offer was concluded in April 2010.)

Markets in China and Asia were affected by the worsening of worldwide economic conditions, but with support from healthy consumer spending, results were generally solid for the full fiscal year. In China, we made TING HSIN (CAYMAN ISLANDS) HOLDING CORP., an affiliate. In addition, we advanced the global SIS strategy, which is positioned as an important initiative under Frontier[e]

Business Results

(Billions of Yen)

	2006	2007	2008	2009	2010
Gross trading profit	¥142.6	¥ 264.6	¥ 324.7	¥ 335.6	**¥ 335.5**
Equity in earnings of associated companies	9.3	10.2	8.0	10.1	**13.0**
Net income attributable to ITOCHU	19.4	18.1	18.7	20.2	**27.8**
Total assets at March 31	778.8	1,070.7	1,064.8	1,054.1	**1,130.7**
ROA (%)	2.6	2.0	1.7	1.9	**2.5**

Years ended March 31

Net Income from Major Group Companies

(Billions of Yen)

	2006	2007	2008	2009	2010
NIPPON ACCESS, INC.*	¥0.5	¥2.4	¥2.6	¥3.7	**¥ 4.5**
ITOCHU SHOKUHIN Co., Ltd.	1.8	1.4	1.3	0.7	**1.7**
FamilyMart Co., Ltd.	4.3	4.7	4.9	5.3	**4.7**

Years ended March 31

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

2010. These efforts centered on the advancement of joint activities implemented with local strategic partners that we have aggressively developed in recent years. For example, we built a foundation for new business development in the years ahead, by exchanging a wide range of information and bolstering our relationships with the Ting Hsin Group and COFCO Limited, which are ITOCHU's partners in China. Furthermore, Shandong Longda Meat Foodstuffs Co., Ltd., became an affiliate, which is a member of Longda Foodstuffs Group Co., Ltd., a major food manufacturer in China. In the future, we will move ahead with the integration of livestock operations in China. (For more information, please see Special Feature: Opening Up the Massive Consumer Market in China on pages 20–23.)

In advancing the global SIS strategy, securing and expanding upstream food resource procurement and processing bases is also an extremely important task. We undertook a number of new initiatives during the year. These included agreeing to establish an export grain terminal (EGT) on the west coast of the United States with the region's most-efficient grain unloading capabilities and the largest grain shipping capacity, entering the milk powder business through an investment in an Australian dairy products company, and concluding an agreement regarding capital participation in an agricultural products purchasing and sales company in northeastern China. Each of these initiatives is principally intended to strengthen ITOCHU's systems for the supply of food resources to users in Asia, Japan, and China.

Fiscal 2011 Strategies
Aiming to be the Leading Food Company in Asia

In Frontier[e] 2010, with the objective of establishing an earning base that can generate net income on the order of ¥30.0 billion, we will continue to implement our important policies—advancing the global SIS strategy especially in China, accelerating the SIS strategy in Japan, and securing and expanding resource procurement and processing bases. We will aim to become the leading food company in Asia, Japan, and China.

We will continue to advance initiatives with partners in China, and will establish a food distribution platform in emerging countries. With domestic partners, we will pursue the benefits of operational alliances through such measures as product development. We will also continue working to secure supply sources, not only in China but also in North America, Australia, and other regions around the world.

Topics

Agreement to Build the Largest Grain Export Facility on the West Coast of the United States

Together with Bunge North America, a major agribusiness firm, and STX Pan Ocean (America), a U.S. corporation of South Korea's major marine transportation group, we agreed to jointly build an export grain terminal (EGT) on the west coast of the United States. The facilities have the region's most efficient unloading capabilities, and state-of-the-art equipment will be used to maximize the grain shipping capacity. In the global SIS strategy, this project is positioned as a means of expanding the stable supply system for food resources.

Bolstering Partnerships in Domestic Food Distribution

Through capital and business tie-ups, we have strengthened our cooperative relationships with UNY Co., Ltd., and Izumiya Co., Ltd., respectively. Through joint initiatives that organically combine ITOCHU's global network and multiple retail support functions with the store networks and product development functions and other management resources of each of the companies, we will respond to the structural changes in the domestic market and advance overseas initiatives, centered on China.

Finance, Realty, Insurance & Logistics Services Company

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

Strengths of the Finance, Realty, Insurance & Logistics Services Company

- **Ability to provide integrated solutions of the Division Company's four functions: finance, insurance, logistics, and construction and real estate**
- **A business model that anticipates market environment changes by combining finance and insurance**
- **Real estate securitization businesses that utilize broad-ranging networks and value chains, and provision of quality manufacturing and services with affiliates centered on the construction and real estate industries**
- **A logistics business that differentiates itself through the high-value-added logistics that leverage our general trading company functions**

Main Initiatives in Fiscal 2010

- **Merger between Advance Residence Investment Corporation and Nippon Residential Investment Corporation**
- **Made ITOCHU LOGISTICS CORP. (formerly, i-LOGISTICS CORP.) a privatized subsidiary**
- **Agreed to participate in the outlet mall business in Ningbo, China, through a joint venture with Shanshan Group Co., Ltd., and Mitsui Fudosan Co., Ltd.**
- **Commenced realignment of our logistics business in China**

Organizational Structure

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

The Finance, Realty, Insurance & Logistics Services Company deploys its extensive experience and wealth of expertise, leveraging its know-how and functions in information technology (IT), logistics technology (LT), financial technology (FT), and other functions developed through its operations as a general trading company to provide high-value-added solutions. Unified management that exceeds divisional boundaries provides access to a host of fields and enables the creation of new businesses in global markets, especially in China and Asia, which have recently experienced phenomenal rates of growth.

Fiscal 2010 Review
Leveraging Comprehensive Strengths to Tap Post-Financial Crisis Market Potential

In fiscal 2010, ended March 31, 2010, the Finance, Realty, Insurance & Logistics Services Company posted a gross trading profit of ¥35.6 billion, down 15.2% from the previous fiscal year. The net loss attributable to ITOCHU amounted ¥4.2 billion, a loss of ¥3.0 billion more than in fiscal 2009. Total assets at the end of fiscal 2010 were ¥382.1 billion, up 0.1% from the previous fiscal year-end.

Facing the sluggish tempo of economic recovery in developed countries, the Division Company reinforced its management to shore business development, which continued to struggle. Conversely, the Division Company benefited from economic expansion in China and Asia. In the finance and insurance business areas, profit generation through conventional market transactions and the financing business was sluggish during fiscal 2010. Therefore, we need to further increase asset efficiency in these business areas. Meanwhile, by shifting our management resources to China and Asia, we generated solid financial business results in Asia. A downturn in real estate market prices in Japan hampered operations in the construction and real estate business areas. We responded by redoubling risk management, reducing property inventory, and striving to enhance profitability. While real estate operators and funds strove to raise funds and ensure stable management, we succeeded in providing a steady supply of carefully selected properties, boosting our industry standing. In logistics, our international logistics business experienced a weak rebound in performance, owing to sluggish international trade, but by reinforcing logistics business operations in China and reforming unprofitable businesses, we managed to strengthen our profit-generation base.

In fiscal 2010, the first year of Frontier[e] 2010, the business environment remained fraught with difficulties. Nevertheless, we believe that by integrating

Business Results (Billions of Yen)

	2006	2007	2008	2009	**2010**
Gross trading profit	¥ 46.0	¥ 43.3	¥ 41.4	¥ 42.0	**¥ 35.6**
Equity in earnings (losses) of associated companies	8.0	(66.0)	29.6	(2.9)	**(7.1)**
Net income (loss) attributable to ITOCHU	9.9	(28.3)	10.8	(1.2)	**(4.2)**
Total assets at March 31	600.9	524.9	420.5	381.8	**382.1**
ROA (%)	1.6	(5.0)	2.3	(0.3)	**(1.1)**

Years ended March 31

Net Income (Loss) from Major Group Companies (Billions of Yen)

	2006	2007	2008	2009	**2010**
ITOCHU Finance Corporation	¥3.2	¥ 2.3	¥(7.0)	¥ 0.6	**¥(1.7)**
ITOCHU Property Development, Ltd.	1.3	0.7	(4.4)	0.3	**0.5**
ITOCHU LOGISTICS CORP.*	0.6	0.4	0.7	0.1	**2.0**
Orient Corporation	3.1	(40.6)	19.3	(2.7)	**(6.2)**
FX PRIME Corporation	0.3	0.1	0.7	0.9	**0.0**
eGuarantee, Inc.	0.1	0.1	0.0	0.1	**0.1**

Years ended March 31

* On January 1, 2010, the name of i-LOGISTICS CORP. was changed to ITOCHU LOGISTICS CORP.

our diversity of functions we managed to steadily put in place the stepping-stones to ensure steady progress in the post-financial crisis world economy.

In the finance and insurance business area, through ITC Investment Partners Corporation, which we jointly manage with the Construction & Realty Division, we developed new financial products and made aggressive inroads into new areas of business, such as linking financial and insurance expertise through investment in reinsurance funds. To harness the growth that is expected to continue in China and Asia, we created the China Structured Equity Fund. We also concentrated on providing financial services in the region.

In the construction and real estate business area, AD Investment Management Co., Ltd., of which ITOCHU Group is the largest shareholder, implemented a merger between its investment arm, Advance Residence Investment Corporation, and Nippon Residential Investment Corporation. This merger resulted in one of Japan's largest residential J-REITs. Overseas developments included ongoing efforts to reinforce our alliance with Mapletree Investments Pte. Ltd., developing real estate business in Asia, including China. As a new initiative, through a joint venture with Shanshan Group Co., Ltd., and Mitsui Fudosan Co., Ltd., we are moving into the outlet mall business in Ningbo, China. The facility is scheduled to open for business in spring of 2011.

In the logistics business area, we realigned our logistics business in China and began setting up a logistics network in India. These moves are part of our efforts to augment our third-party logistics services in China and Asia, which indicate solid market potential.

Fiscal 2011 Strategies
Ongoing Initiatives to Enhance Company Synergies

In fiscal 2011, we will redouble our efforts to build company synergies and work aggressively to develop business overseas. Specifically, the Financial and Insurance Services Division and the Construction & Realty Division will cooperate in asset management businesses, and the Construction & Realty Division and the Logistics Services Division will step up their joint efforts to form logistics funds. Overseas, we will promote business in China and Asia, as we look for opportunities to apply our new business model. At the same time, we will endeavor to raise our operational profitability by concentrating management resources in key business areas.

Topics

The Birth of One of the Largest Residential J-REITs

In March 2010, Advance Residence Investment Corporation and Nippon Residential Investment Corporation merged, with the new operation dubbed Advance Residence Investment Corporation. This merger has created one of Japan's largest residential REITs with residential assets of approximately ¥350 billion. Going forward, the Division Company plans to provide multifaceted support through the extensive networks of the ITOCHU Group. Accordingly, we look forward to expanding our business opportunities in the residential property area through this REIT's long-term and stable growth.

The Logistics Business in China

To meet burgeoning logistics demand in China, we are concentrating on restructuring our logistics networks and have begun reconfiguring the Group's logistics business in the country. Mainly through ITOCHU LOGISTICS (CHINA) CO., LTD. (formerly, Beijing Pacific Logistics Co., ltd.), and TINGTONG (CAYMAN ISLANDS) HOLDINGS CORP., we provide logistics network services throughout China via more than 80 logistics centers. Through a tie-up with ITOCHU LOGISTICS CORP., in addition to services within China, we offer international logistics services targeting Japan and other countries. In the future, we plan to extend this business model to other emerging countries.

L-I-N-E-s

Toshihito Tamba Executive Vice President (LINEs)

L-I-N-E-s is an acronym that encompasses four business areas that will support ITOCHU's future earnings. Operations were established under this banner in April 2009, with the objective of utilizing cross-sectional synergies to develop and promote new businesses. Frontier[e] 2010, ITOCHU's medium-term management plan, specifically focuses on the business areas of Life & Healthcare (L) and Environment & New Energy (E). We are striving to construct value chains to deploy our strengths across both of these areas. In addition, we are emphasizing business creation and development in the areas of Infrastructure (I) and New Technologies & Materials (N).

(For more information, please see Special Feature: Targeting Growth Opportunities Driven by Change on pages 28–31.)

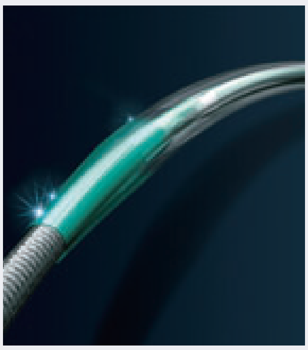
Healthcare Business Department: In the medical and health-related business area, which is likely to expand with the aging of Japanese society and falling birthrates, this department is developing new initiatives based on a medical value chain concept in a broad range of business areas, from upstream pharmaceuticals and medical equipment and materials through to downstream hospitals and dispensing pharmacies.

During fiscal 2010, we bolstered earnings and implemented structural improvements in the upstream medical equipment area, achieving growth in non-consolidated revenue and consolidated operating profit. One specific example of strategic initiatives was the acquisition of domestic sales operations for the spinal-related products of Showa Ika Kohgyo Co., Ltd., by Century Medical, Inc., a wholly-owned domestic subsidiary. In another example, ITOCHU Corporation, ITOCHU (China) Holding Co., Ltd., and GOODMAN Co., Ltd., entered a capital and business alliance with Chinese medical device manufacturer, Promed Medical Tech (Suzhou) Co., Ltd. During fiscal 2011, while further strengthening the earnings platform of domestic operations, we aim to establish and expand business in Asia, centered on China; the Americas; and other growth markets.

Solar Business Department: We are striving to establish a value chain across our solar power-related businesses, from raw material production and ingot / wafer manufacturing through systems integrator businesses that include designing, selling, and installing solar power generation systems, to solar power generation projects.

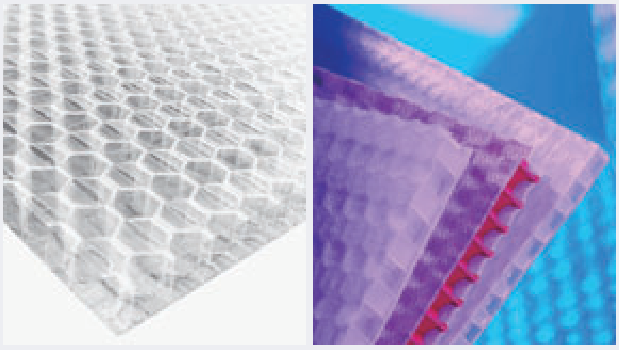
During fiscal 2010, we progressed with the construction of a value chain that spanned upstream to downstream areas of our solar power-related businesses. In particular, we enhanced the operational base of our system integrator businesses in our three key markets of Japan, the United States, and Europe. During fiscal 2011, we aim to upscale earnings based on this value chain, while further reinforcing it by implementing new measures for such upstream operations as our raw materials-related businesses and such downstream operations as power generation businesses.

Innovative Technology Business Development Office: This office pioneers new business areas to develop businesses that will become earnings sources by matching technology seeds in such leading-edge business areas as biotechnology and nanotechnology with market demand. The office stakes

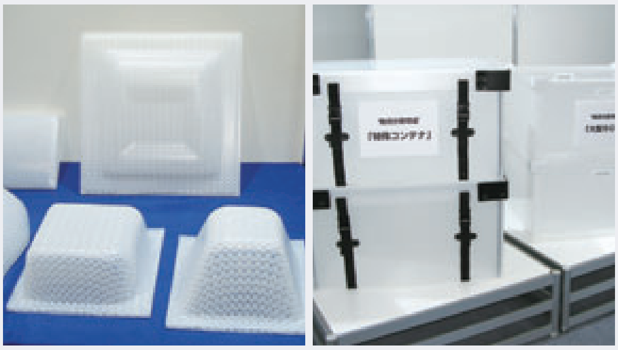


Healthcare Business Department: Products handled by GOODMAN Co., Ltd. (left: a PTCA balloon catheter, right: a coronary artery stent)

Solar Business Department: Solar power generation plant at the Tokyo Headquarters of ITOCHU Corporation



Innovative Technology Business Development Office: Honeycomb produced by continuous honeycomb core production technology



Innovative Technology Business Development Office: Honeycomb formed into a complex shape and an application example

claims on promising leading-edge technology seeds by unearthing technology seeds based on strategic tie-ups with research organizations in Japan and overseas and investing in venture companies. Also, the office incubates business projects through joint development and marketing with these venture companies. As these projects become commercially viable, it steadily transfers them to Division Companies. For example, the project for the continuous honeycomb core production technology, which EconCore N.V. of Belgium successfully developed, was handed on to Division Companies after the identification of the technology seed and its incubation by the office, which led to the conclusion of an exclusive and comprehensive license agreement between ITOCHU and EconCore in the Asia-Pacific region, including Japan, and the Middle East by fiscal 2010. This new project is already contributing to the earnings of the Division Companies.

During fiscal 2011, we will continue to promote strategic initiatives through investment in new ventures and joint development and commercialization of existing strategic businesses.

▌Corporate Development Office: This office collaborates with a cross-section of Division Companies to identify, develop, and implement new business opportunities in a variety of strategic sectors, including environment and renewable energy, infrastructure, and consumer products & services. Domestically, the office enters into alliances with local governments and companies to develop and promote new business models and commercialize leading-edge technologies. Globally, the office, in conjunction with government and commercial entities, is implementing smart grid demonstration projects—for example Tsukuba in Japan, New Mexico in the United States, and Gujarat in India—to gain operational expertise required to undertake commercial-scale projects.

▌Planning & Administration Office, New Business Development: Linking the two departments and two offices mentioned above under the authority of the Executive Vice President (LINEs), this office prepares plans and strategies, and develops business management systems, aiming to advance L-I-N-E-s business projects.

Organizational Structure

As of July 1, 2010

- Executive Vice President (LINEs)
  - Healthcare Business Department
  - Solar Business Department
  - Innovative Technology Business Development Office
  - Corporate Development Office
  - Planning & Administration Office, New Business Development

Corporate Development Office: A rapid charger and EVs for car sharing introduced in a gas station of ITOCHU ENEX CO., LTD. on Gakuen Higashi Odori (street).

Corporate Development Office: Opening ceremony of the Joint Demonstration Project on Low-Carbon Transportation System Using Clean Energy at Tsukuba City, Japan

Corporate Planning

Koji Takayanagi Chief Corporate Planning Officer

The following organizations fall under the control of the Chief Corporate Planning Officer: the Corporate Planning & Administration Division, which carries out company-wide management planning; the Affiliate Administration Division, the IT Planning Division, and the Research & Policy Analysis Division, which fulfils a backup function for business promotion; the Corporate Communications Division, which supports business promotion through internal and external communications activities; the International Operations Division, responsible for policy planning, coordination, and promotion for international operations; and the ITOCHU DNA Project Office, which takes the lead in reforming and optimizing operations and fosters the recognition of operational improvement among employees. The Chief Corporate Planning Officer also collectively leads and directs the operations of all overseas blocs.

Corporate Planning & Administration Division: This division formulates company-wide management plans, such as medium-term management plan Frontier^{e} 2010, and promotes important company-wide management measures by coordinating with Division Companies. The division also plays a central role in the practical advancement of strategies for the entire ITOCHU Group by allocating management resources, following the progress of plans, and evaluating business results.

Affiliate Administration Division: For the entire ITOCHU Group to realize its comprehensive capabilities, increasing the earnings of Group companies is critical. Moreover, the Group must respond to the emergence of more-exacting requirements for internal control and other administrative viewpoints. The Affiliate Administration Division supports Group companies' implementation of strategies, while participating in management of Group companies, with a view to heightening the entire Group's comprehensive capabilities.

Corporate Communications Division: This division ensures accountability and promotes understanding of the ITOCHU Group's management and businesses through a variety of communications activities to a wide range of stakeholders inside and outside ITOCHU.

IT Planning Division: ITOCHU has to design and operate effective systems in response to the increasing sophistication and complexity of its operations. In order to facilitate strategies for the ITOCHU Group and overcome management issues, this division supports the operations of the Group in terms of IT systems, preparing IT strategies for the ITOCHU Group and developing IT infrastructure.

Research & Policy Analysis Division: Amid dramatic and global fluctuations in the business environment, it is becoming increasingly important to analyze the environment and prepare forecasts swiftly and accurately. The ITOCHU Group's think tank, the Research & Policy Analysis Division, analyzes a range of information and prepares various forecasts.

International Operations Division: Aiming to increase the ITOCHU Group's overseas earnings, this division plans and implements measures for international operations and aggressively supports Division Companies in their promotion of projects subject to business conditions in each country. In addition, the division reinforces the functions and the management systems of overseas offices.

ITOCHU DNA Project Office: This office promotes the ITOCHU DNA Project—Designing New Age—which commenced in fiscal 2007 in order to foster the recognition of operational improvement among all employees and to increase overall operational efficiency. Under this project, the office is currently supporting each Division Company to incorporate processes optimally suited to its operation.

Organizational Structure

As of July 1, 2010

Chief Corporate Planning Officer
- Corporate Planning & Administration Division
- Affiliate Administration Division
- Corporate Communications Division
- IT Planning Division
- Research & Policy Analysis Division
- International Operations Division
- ITOCHU DNA Project Office
- Overseas Office

Comments from Overseas Regional Headquarters

North America

Yoshihisa Suzuki
President & C.E.O., ITOCHU International Inc.

Amid economic recession in the wake of the Lehman shock, the last fiscal year was challenging, particularly for construction machinery and building material-related businesses. However, with the onset of economic recovery, the current fiscal year can become a time of innovation and the start of a new era. We are striving to achieve sustainable growth for the 32 companies operating under the ITOCHU International banner and to pursue new businesses and investments, led by new energy business such as wind and solar power generation, environment-related technologies, and construction of grain elevators to serve Asian markets.

Central & South America

Yutaka Washizu
C.E.O. for Latin America

Central and South America has been steadily gaining importance as a supplier of various natural resources. We are aggressively focusing, from a global perspective, on the development of natural resources such as minerals, forestry, bio-ethanol, and agricultural products. Moreover, buoyed by robust demand in the region, we are aiming to create new earning sources through businesses in such areas as social infrastructure, automobiles, industrial plants, medical equipment, and telecommunications.

Europe

Takeshi Kumekawa
Chief Executive for European Operation

Although the European economy is on a path of gradual improvement, financial issues and other problems still beset EU countries and it has yet to enter a full-blown recovery phase. During fiscal 2011, despite the absence of a dramatic economic upturn, we are promoting business development in such areas as the highly promising field of the environment, including renewable energy and infrastructure; and brand and consumer goods in which ITOCHU deploys its strengths.

Africa

Tomoyuki Akamatsu
Chief Executive for Africa

Africa is being reassessed in light of escalating resource prices and the advance of mining technologies, and is once again attracting worldwide attention as an important global supply point. In this bloc, we are currently focusing on business areas of emerging importance, including development of such resources as Namibian uranium, in addition to such existing trade products as automobiles, construction machinery, coffee, cocoa, sesame, and woodchips.

Middle East

Masanori Toyoshima
CEO for the Middle East

The Middle East is witnessing increased expenditures, led by oil-producing nations, with growth in investment in infrastructure and petrochemicals. Rising populations and living standards are also boosting businesses in the Consumer-Related Sector. Ongoing business areas of focus in this bloc include energy, chemicals, plant projects, and automobiles. We are also implementing a policy of developing the Consumer-Related Sector and L-I-N-E-s-related businesses, including renewable energy.

Oceania

Tatsuo Fujino
C.E.O. for Oceania

The economies of Oceania were relatively fast to recover from the global economic recession compared with those of other leading developed regions, with resurgence of resource prices leading to pronounced recovery from the latter half of fiscal 2010. While continuing to emphasize such existing business areas as coal, iron ore, and other mineral resources, we are targeting business expansion by further developing businesses in food, forest resources, and timber products, as well as infrastructure projects, such as water and railway.

China

Junichi Sasaki
President & C.E.O., ITOCHU China Bloc

Regardless of financial crisis and export downturn, China achieved the GDP growth rate of 11.9% in the first quarter of this year thanks to a huge domestic market comprising a population of 1.3 billion. The China bloc will continue to shift its strategy to domestic demand-driven business and strive to develop the business in four areas: environmental protection, energy conservation, resources, and businesses in the Consumer-Related Sector.

Asia

Toru Nomura
Chief Executive for Asia

In Asia, which is exhibiting a strong rebound from the global economic recession, we are targeting earning expansion from increased trade as a result of FTA contracts, led by ASEAN members and extending to China and India. In cooperation with influential regional enterprises, we are also developing investment in various business areas and emphasizing infrastructure projects in various countries in a drive to develop new income sources for the future.

CIS

Takahiko Motani
C.O.O. for CIS

CIS countries have achieved continuous annual GDP growth of at least several percentage points over the last decade except 2009 under the economic crisis. This has been aided by many countries rich in oil, uranium, and other resources, including Russia, Kazakhstan, and Azerbaijan. In addition to resource-related businesses, in this bloc we will focus on automobiles, tires, and other consumer-related products linked with economic growth, in addition to plant projects, machinery, and raw material businesses, which are indispensable for industrial regeneration.

Administration

Yoshio Akamatsu Chief Officer for Human Resources, General Affairs, Legal

Four divisions are positioned under the control of the Chief Officer for Human Resources, General Affairs, Legal: the Human Resources Division, the General Affairs Division, the Legal Division, and the Trade & Logistics Administration Division. These divisions play a leading role in ITOCHU's drive to *evolve management systems* and are working to realize the *full-fledged implementation of global human resources strategy*, both of which are key measures of Frontier[e] 2010.

Human Resources Division: One of the key measures cited in Frontier[e] 2010 is ITOCHU's aim to *advance full-fledged implementation of global human resources strategy*. The division has a central role in achieving this aim and is striving to reinforce ITOCHU's personnel capabilities from a global perspective. It is also pivotal in controlling and promoting human resources strategies for each bloc under Global Talent Enhancement Centers (GTECs). In addition, the division works to improve the morale and motivation of employees through the management of human resources systems and policy, and also strives to enhance employee training. Furthermore, the division respects the careers of individuals and aims to create a company with employee-friendly work environments and well-balanced work styles that enable diverse employees to realize their full potential, regardless of age, nationality, or gender.

Legal Division: Based on its monitoring and analysis of important trends in laws and statutory regulations, this division provides recommendations to the management team on appropriate responses to these trends. Also, the division helps ITOCHU avoid business risk arising from the increasing complexity and globalization of operations by providing advanced legal expertise in relation to transaction screening and business support. In addition, regarding compliance as of paramount importance, the division takes a range of measures to strengthen compliance, including in-house education and awareness campaigns.

General Affairs Division: The division provides various support services, such as facilities administration, documentation management, and control of security and disaster prevention measures, in order to facilitate smooth and efficient execution of business in pursuit of overall company management targets. It also promotes CSR and environmental conservation activities for the ITOCHU Group. In addition, the division is responsible for shareholder relations matters and harmony with local communities as part of an array of measures to construct favorable relationships with the diverse stakeholders involved in ITOCHU's operations.

Trade & Logistics Administration Division: The division supports operational activities through integrated monitoring and control of import, export, and logistics, which are particularly important for general trading companies, such as security and trade control and customs control; planning and implementation of trade and logistics policies; and a registration system for logistics contractors.

Organizational Structure

As of July 1, 2010

- Chief Officer for Human Resources, General Affairs, Legal
  - Human Resources Division
  - General Affairs Division
  - Legal Division
  - Trade & Logistics Administration Division

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

Four divisions are positioned under the control of the Chief Officer for Finance, Accounting, Risk Management: the Finance Division, the General Accounting Control Division, the Business Accounting & Control Division, and the Risk Management Division, and also advances initiatives to *strengthen financial position* and *to upgrade risk management*, which are key measures of Frontier^{e} 2010. In addition to these roles, the Chief Financial Officer (CFO) directly controls the CFO Office, the Investor Relations Department, and the Group Accounting Support & IFRS Office.

Finance Division: This division realizes flexible and stable funding in response to changes in financial conditions and aims to strengthen financial foundations. Further, the division is also building a global cash management system by developing Group finance in Japan and overseas.

General Accounting Control Division: Responding to changes resulting from increasingly sophisticated and complex accounting systems, this division conducts financial accounting operations, such as preparing consolidated and non-consolidated financial statements and financial reports. In addition, the division prepares the ITOCHU Group's accounting policies. The division also establishes tax strategies from a global perspective and supports the Group's growth strategies from the standpoints of accounting and tax.

Business Accounting & Control Division: This division undertakes comprehensive control operations that reflect the operational situations of Division Companies and supports their operational activities with respect to accounting and tax.

Risk Management Division: This division plays a central role in the management of credit risk and country risk, and controls and implements company-wide risk management, led by "Risk Capital Management (RCM)" based on risk assets. Further, aiming to upgrade the risk management of the ITOCHU Group as a whole, the division not only strengthens the management of individual risks but also develops Enterprise Risk Management (ERM), which comprehensively controls risk from a Group-wide perspective.

CFO Office: In addition to assisting the CFO, this office carries out integrated management of the operation and maintenance of internal control pertaining to the ITOCHU Group's consolidated financial reports.

Investor Relations Department: This department provides investors, analysts, and other stakeholders in Japan and overseas with timely and appropriate information. This department also fosters accurate understanding of the ITOCHU Group's management status and strategies through such activities as planning and facilitating various types of presentations that senior management conducts both in Japan and overseas, responding to individual investors and analysts, and preparing annual reports.

Group Accounting Support & IFRS Office: This office was established in April 2010, with the objective of ensuring appropriate preparation throughout the Group for the adoption of International Financial Reporting Standards (IFRSs). The office's responsibilities include providing support for consideration of Group Accounting Policies and specific tasks of each Group company on the adoption of IFRSs. The office also supports Group companies' operations for consolidated financial reports based on currently adopted U.S. GAAP.

Organizational Structure

As of July 1, 2010

- Chief Officer for Finance, Accounting, Risk Management
  - Finance Division
  - General Accounting Control Division
  - Business Accounting & Control Division
  - Risk Management Division
- Chief Financial Officer
  - CFO Office
  - Investor Relations Department
  - Group Accounting Support & IFRS Office