

Creating Lateral Synergy in Our Consumer Business through an Alliance with Orico

ITOCHU Finance Corporation, one of our subsidiaries, started a financing business for consumer finance companies in 1998. Since that time, we have been striving to outpace other general trading companies in accumulating a base of expertise and working to expand our retail finance business. As part of our efforts, we established an Internet-based consumer finance company and purchased stakes in credit card companies.

In 2005, ITOCHU invested approximately ¥70 billion to acquire 21% of the common stocks (and preferred shares) in Orient Corporation (Orico), making it the firm's leading shareholder. Through this alliance with Orico, we will expand not only our retail finance business but also our high-value-added businesses by applying our functions and expertise in logistics, marketing, and other areas to Orico as well as its member merchants in a cross-company and comprehensive manner.

ITOCHU's Functions Provided to Member Merchants of Orico

1. Provision of Retailer Support Functions

ITOCHU provides various solutions to improve business efficiency at Orico's 620,000 member merchants.

We have been advancing measures not realized by other general trading companies. One such measure is the "Retail Platform," which has been implemented by approximately 20 ITOCHU group companies and which provides a one-stop-solution for retailers in a cross-company fashion. Another measure is the establishment of the Function and Value (FV) Committee, which aims to realize cross-company lateral syntheses.

Using our keen understanding of the retail market, we plan to help strengthen

the business base of Orico and its member merchants by providing functions and products under lateral integration.

2. Provision of Financial Services

We will provide financial products such as business loans based on the financial needs of Orico's member merchants. In April 2005, as our first project, we introduced inventory loans for automotive dealers. (See page 37 for details.)

Provision of ITOCHU's Products and Services through Orico's Member Merchants

We will increase sales at Orico's affiliates and expand ITOCHU's sales opportunities by introducing a large range of products and services from the ITOCHU Group to the 23 million customers of Orico's member merchants.

Joint Development of New Businesses, Taking Advantage of ITOCHU and Orico Strengths

ITOCHU and Orico will develop new businesses by utilizing the IT and logistics functions of the ITOCHU Group as well as its business partner network in various areas of focus. The development of new businesses will also extend to the automobile-related market, where Orico has a dominant position and established expertise. Furthermore, we are now considering the possibility of joint projects in China, where ITOCHU's position is strong, and in other Asian countries.

Based on the above, we are expecting a profit contribution of about ¥8 billion from Orico (an estimate based on Orico's current management plan) in the fiscal year ending March 2008.

WIN-WIN Alliance Structure

