

In the midst of the environment above, the Company made the following efforts during the fiscal period: As a new commitment to the upstream sector, which is one of its core strategies, the Company decided to participate in the large-sized chemical (methanol) project in Brunei, jointly with Mitsubishi Gas Chemical Co, Inc. In the PTA (polyester fiber materials) manufacturing business jointly with Mitsubishi Chemical Corporation, the plant construction is well underway, promising a full-fledged production in 2007. The PTA manufacturing business is a project launched in a consumption area, in response to the increased polyester production in China. In the life, human care, and pharmaceuticals area, which is designated as the area of corporate-wide focus in ITOCHU's mid-term management plan "Frontier-2006," the Company and its group companies made investment in REMEJE PHARMACEUTICALS (CHINA) CO., LTD., a pharmaceutical wholesaler licensed to sell products across China. In the retail sector, ITOCHU acquired SANIPAK COMPANY OF JAPAN, LTD., the top vender in plastic bags in Japan, to expand wrapping materials-related business. As mentioned above, the Company took measures in a steady manner for all of the sectors.

Mid-to-Long Term Challenges and Strategies

The Company's products such as lumber, pulp, and chemicals are susceptible to the impact of these market conditions. In order to respond to all possible changes in the business environment and to establish a continuous high profitable revenue base, we actively allocate management resources to priority areas and build the best portfolio.

Policies and Outlook for the Fiscal Year Ending March 2007

In the fiscal year ending March 2007, the last year covered by the Frontier-2006, we are determined to meet the following goals: 1) expansion of the housing materials business in the North America; 2) expansion of the pulp trading in the global market; 3) expansion of the tire-retailing business; 4) strengthening of the efforts in the generic and crude drugs area; 5) undertaking of further efforts to develop large-scale petrochemical projects; 7) launching of new efforts for the packaging materials and sulfuric acid/fluoric acid businesses in China; 8) expansion of the synthetic resin-related businesses.

Number of Employees

Consolidated*	7,785
Non-consolidated	447

*The number of consolidated employees is based on actual working employees excluding temporary staff.

Number of Subsidiaries and Associate

Domestic	44
Overseas	49

Major products & Services

- Logs & Lumber • Pulp & Paper
- Crude Rubber and Tires
- Ceramic products
- Basic chemicals • Fine chemicals
- Pharmaceutical products
- Inorganic chemicals • Plastics
- Various consumer products

located close to the consuming market of Japan and other Asian countries, the project is expected to achieve high profitability.

Ningbo PTA project is smoothly progressing

In the synthetic fiber field, the Company participated in the first Japanese joint venture PTA project in China with Mitsubishi Chemical Corporation. The construction of the plant started in June 2005, and is smoothly progressing toward beginning of production in the second half of the fiscal year ending March 2007. PTA is raw material of synthetic fiber and PET resins, and the demand in China is now 12 million tons. This is the world's largest market and further growth is anticipated. Placing this project as the core of our synthetic fiber business, the Company intends to expand business of raw material and derivatives of PTA.



Construction site